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# China Report

## ECONOMIC AFFAIRS

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1 April 1986

## CHINA REPORT

### ECONOMIC AFFAIRS

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AGGREGATE ECONOMIC DATA

LIAONING COMMUNIQUE ON ECONOMIC, SOCIAL DEVELOPMENT

SK070344 Shenyang LIAONING RIBAO in Chinese 9 Feb 86 p 2

[ "Communique" on Liaoning Provincial 1985 national economic and social development issued by the provincial statistical bureau on 8 February]

[Text] In 1985, under the leadership of the provincial CPC Committee and Government, the people of various nationalities throughout our province conscientiously implemented the policy of enlivening the domestic economy and opening to the outside world, and persistently placed reform above everything else. They strengthened macroeconomic control and management while invigorating the microeconomy, and conquered the natural disasters rarely seen in our history. A good situation of sustained, stable, and coordinated development in the national economy appeared. According to initial statistics, the total product of society was 102.45 billion yuan, a 13.6 percent increase over the previous year; the gross industrial and agricultural output value was 80.03 billion yuan, a 13.4 percent increase; and the national income was 40.09 billion yuan, a 9.9 percent increase. (footnote 1) (The total social product is the total of the output value scored by the material production departments on the fronts of agriculture, industry, building undertakings, transportation, post and telecommunications, and commerce, including the undertakings of material supply, marketing and supply, and food service. The national income is the total of the net output value scored by the material production departments mentioned above.) Major targets of the national economy as stipulated in the "Sixth 5-Year Plan" were fulfilled successfully in an all-round manner. On the basis of developed production, revenue increased; markets were thriving; foreign trade was expanded continuously; and the people's living standards in both urban and rural areas showed further improvement. New progress was achieved in various social undertakings, such as science and technology, education, culture, public health, and physical culture, and sports. Specific manifestation of this was the gross national product, which reached 49 billion yuan, an increase of 13.4 percent over the previous year. (footnote 2) (The GNP is the total of the value increase scored by the departments in the society as a whole, including the value scored by the material production departments, the net incomes earned by the nonproductive departments, and the depreciation funds of fixed assets in the society as a whole.)

## 1. Agriculture

In 1985, in addition to consolidating and improving the output-related contract responsibility system in rural areas, our province readjusted the rural production setup by a fairly large margin, and reformed the state monopolized and fixed-quota purchasing systems for farm products. It overcame the difficulties caused by floods and waterlogging, and enabled the rural commodity economy to develop to a fairly great extent. The total social product of rural areas of our province may reach 22.86 billion yuan, showing a 12.1 percent increase over 1984 in which an all-time record was registered. (footnote 3) (The total product of the rural society comprises the output value scored by the state-run, collective-run, and individual-run agricultural units, the output value scored by the township-town-run industrial enterprises and the rural individual-owned industrial setups, and the total output value scored by the rural units of building undertakings, communications and transportation, commerce, and social or public food service.) Of this, rural industry increased by 46.5 percent, construction industry by 24.3 percent, transportation industry by 16.7 percent, and commercial and catering industries by 34.2 percent.

The agricultural output value of the province was 14.06 billion yuan, a 9.9 percent increase over the previous year. Excluding the industry run at the units at the village level or below, the agricultural output value was 8.63 billion yuan, a 10.4 percent decline from the previous year. In the total agricultural output value, the output value of forestry, animal husbandry, sideline production, and fisheries grew from 50.7 percent in the previous year to 63.6 percent.

The structure of the cultivation of crops became more rational. The proportion of the areas sown to grain crops declined from 82.9 percent in the previous year to 78 percent, and that of the areas sown to cash crops increased from 9.5 percent in the previous year to 14.4 percent. The output of grain and cotton declined because of a planned reduction of their acreage and too serious disasters. The output of grain and soybeans of the province was 9.76 million tons, a decline of 31.6 percent from the previous year. The output of major farm products is listed as follows:

	1985	Percentage of Increase Over
Grain	9.76 million tons	-31.6
of which:		
Paddy rice	2.63 million tons	-20.5
Soybeans	546,000 tons	-13.9
Cotton	24,000 tons	-63.6
Oil bearing seeds	540,000 tons	28.6
of which:		
Peanuts	403,000 tons	23.3
Fruits	807,000 tons	-15.5
of which:		
Apples	548,000 tons	-19.9
Vegetables	5.895 million tons	-24.9
Flue-Cured Tobacco	18,000 tons	-18.2

A total of 4.806 million mu was afforested throughout the province, showing an increase of 0.3 percent over the previous year. In animal husbandry, the number of draught animals in stock at year end reached 3.033 million, an increase of 6.5 percent over the previous year, and an all-time record. After we relaxed the control over the price of hogs, their number picked up rapidly, and at the year end reached 10.395 million, an increase of 16.4 percent. The output of various livestock and poultry also registered increases. Pork, beef and mutton grew by 3.1 percent, and eggs by 39.6 percent. The total output of aquatic products reached 566,000 tons, a 2.5 percent increase over the previous year, and an all-time record.

The agricultural technical equipment was improved. The total power capacity of farm machines reached 8.346 million kw by the end of 1985, an increase of 10.4 percent over the previous year. The number of various kinds of tractors reached 140,000 an increase of 12 percent. The number of heavy-duty trucks for farm use reached 25,000, an increase of 25 percent. A total of 709,000 million tons of (pure) chemical fertilizer was applied during the year, a drop of 7 percent from the previous year. The total consumption of electricity for farm use was 2.93 billion kwh, an increase of 5.8 percent over the previous year.

Forecasts of bad weather by the provincial meteorological department were fairly accurate and prompt. The main problems in agricultural production were that the agricultural water conservancy facilities were outdated, the foundation was weak, and the ability to resist natural disasters weakened. The tasks of restoring production and rebuilding homes in the disastrous areas were still very heavy. Furthermore, the situation of indiscriminately and excessively occupying farmland still emerged.

#### The Changes in the Proportions Among the Agricultural and Heavy Industrial Sectors.

[The change is indicated by a pie-shaped graph showing that the proportion of agriculture rose from 11.3 percent in 1980 to 17.6 percent in 1985, that of light industry dropped from 28.7 percent in 1980 to 28.3 percent in 1985, and that of heavy industry dropped from 60 percent in 1980 to 54.1 percent in 1985]

#### 2. Industry

Industrial production continued to rise in the course of readjustment in the province in 1985. The total industrial output value was 65.72 billion yuan, an increase of 14 percent. If the industrial output value of the industrial units at and below the village level and of the individual industrial units are included, the increase was 17.2 percent over the previous year. This was the highest growth rate and the biggest step we have ever achieved in a year since the 3d Plenary Session of the 11th CPC Central Committee. Of the total industrial output value, the state industrial units showed an increase of 10.1 percent, the collective industrial units showed an increase of 25 percent, and industrial units of other economic ownership showed an increase of 38.7

percent. The output of 58 of the 80 major industrial products met or topped the state plans. We reduced the production of some products whose production plans could not be fulfilled because the supply was greater than the demand.

The light and heavy industries developed in a fairly proportionate manner. The output value of light industry during the year reached 22.56 billion yuan, an increase of 11.6 percent. The designs and varieties of light industrial products increased and the output of medium- and high-grade durable goods and brand-name quality products increased by a large margin. The development in these sectors played a good part in stabilizing the markets.

The output of major light industrial products is listed as follows:

	1985	percentage of increase over 1984
Television Sets	810,000	42.7
of which:		
Color Television Sets	144,000	8.7
Cassette Recorders	386,000	9.3
Household Washing Machines	1.179 million	38.7
Bicycles	1.673 million	14.7
Sewing Machines	45,000	-63.7
Watches	4.886 million	15.7
Cigarettes	436,000 boxes	8.1
Detergents	50,000 tons	11.8
Chemical Fibers	140,000 tons	19.8

In the heavy industry, we continued to readjust the production setup, expand the service spheres, and further display the favorable conditions in this sector. The annual heavy industrial output value reached 43.16 billion yuan, an increase of 15.3 percent. The output value of the chemical and metallurgical industries rose respectively by 7.4 percent and 10.3 percent, and that of the machinery industry, rose by 24 percent. The output of primary energy reached 49.207 million tons (standard coal), an increase of 9.5 percent over the previous year.

The output of major heavy industrial products is listed as follows:

	1985	Percentage Increase Over 1984
Coal	45.409 million tons	5.6
Crude Oil	9.221 million tons	17.8
Natural Gas	1.5 billion cubic meters	9.4
Power Output	35.21 billion kwh	8.7
Steel	10.246 million tons	5.8
Rolled Steel	7.128 million tons	7
Pig Iron	10.23 million tons	2
Cement	10.147 million tons	8.1
Chemical Fertilizer	526,000 tons	-25.3
Motor Vehicles	32,000 tons	-25.3
Motor Vehicles	32,512	70.6
Tractors	2,710	3.9
Machine Tools	20,349	7.5

The per-capita productivity for state-owned enterprises designated to undertake independent accounting rose by 7 percent over the previous year. The amount of profits and taxes realized by the industrial enterprises which were covered by the state budget reached 7.07 billion yuan, an increase of 15.9 percent over the previous year, exceeding the growth of 11.8 percent in the total industrial output value of the same line of production. The turnover period for working funds was shortened from 111 days in the previous year to 108 days. The industrial enterprises throughout the province saved a total of 1.681 million tons of energy. In 1985, the province as a whole won 101 state quality awards for its products, of which 12 were gold awards and 89 were silver awards. Winning awards for such a great number of and a large range of products was unprecedented in the history of the province. At present, the main problems in industrial production are that energy and raw materials are still in short supply; management is backward; the cost exceeds expenditures; deficits have increased; and the trend of suffering a decline in the quality of products has not yet ended.

### 3. Investment in Fixed Assets and the Building Industry

In 1985, our province accelerated the construction of key projects and the equipment replacement and technical updating of the enterprises. The total investment in the fixed assets of state-owned units came to 10.9 billion yuan, an increase of 48.8 percent, and of the urban and rural collective units came to 1.56 billion yuan, an increase of 47.1 percent. The investment in the fixed assets of the urban and rural individual units reached 1.56 billion yuan, an increase of 21.9 percent. Of the total investment in the fixed assets of state-owned units, investment in capital construction accounted for 5.61 billion yuan, an increase of 44.7 percent over the previous year. Of the investment listed in the plan for examination investment in capital construction reached 4 billion yuan, meeting the annual plan. Of the investment in capital construction, the investment in state projects whose funds came directly from the various ministries of the CPC Central Committee increased by 28.1 percent. The investment in local projects increased by 66.1 percent. Investment covered by the state budget increased by 1 percent and the investment not covered by the state budget increased by 88.1 percent. The investment in productive projects rose by 36.2 percent and that in nonproductive projects 54 percent. Investment in housing increased by 62.9 percent. Shenyang City which is entitled to make its own developmental plans increased its investment by 48.3 percent and the open coastal city of Dalian increased its investment by 60.2 percent over the previous year.

Of the investment in capital construction, the investment in key projects increased. The investment in the energy industry increased by 27.2 percent, in communications, post and telecommunications by 69.4 percent, and in cultural, educational, public health, and research undertakings by 46.8 percent. About 1.95 billion yuan was invested in 45 large and medium-sized projects and four single-item projects whose completion and putting into production in 1985 were demanded by the state were basically completed. The

projects in operation helped add the following production capacities and economic benefits: 1.8 million tons of natural petroleum; 250 million cubic meters of natural gas; 450,000 tons of coal; 47,500 kw of power generating capacities; 1.5 million kw of power transformation capacities; 960,000 tons of cargo handling capacity at ports; and 930 million cubic meters of water storage capacities in reservoirs. An additional 150,000 tons of water was supplied to the urban areas. The housing completed during the year reached 5.65 million square meters. The projects in operation also helped add an additional 3.48 billion yuan worth of fixed assets.

We have accelerated the pace of conducting technical innovations and updating among the existing enterprises. The province invested 4.28 billion yuan in technical innovations and updating among the state-run enterprises, showing a 55.1 percent increase over the 1984 figure. Of these investments, those used for increasing the varieties and output of products showed more than a 100 percent increase and those used for saving energy resources and raw materials and upgrading the standards of product quality showed a 10.2 percent increase. The number of items of technical innovations and updatings reached 5,757 in 1985, of which, 3,305 items were completely built and put into production, and have played a certain role in conducting reforms among the outdated enterprises.

The state-run construction and installation enterprises across the province signed contracts to build the projects in 1985, accounting for 85.1 percent of the total number and showing a 12.2 percent increase over the 1984 figure. Of these projects, those contracted by inviting tenders and entering bids showed a 220 percent increase over the 1984 figure. These construction and installation enterprises showed a 27.4 percent increase in their annual output value and a 22.7 percent increase in their annual labor productivity. The problems cropping up on the capital construction front in our province are: the construction scope outside the budget is on the larger side; the front of construction operations is bigger than before; the structure of investments is not reasonable at all; and the benefits of investments is declining.

#### The Acreage on Which Houses and Residences Were Completely Built by These State-run Units

[The acreage is indicated by a bar graph showing that these state-run units built 9.943 million square meters of houses in 1981, of which, residences accounted for 6.346 million square meters; that they built 10.403 million square meters of houses in 1982, of which residences accounted for 6.618 million square meters; that they built 9.708 million square meters of houses in 1983, of which, residences accounted for 5.848 million square meters; that they built 11.07 million square meters of houses in 1984, of which, residences accounted for 6.447 million square meters; and that they built 11.604 million square meters of houses in 1985, of which, residences accounted for 6.821 million square meters.]

#### 4. Transportation, Post, and Telecommunications

In 1985 our province's communications departments further enlivened transport markets and showed a sustained and stabilized increase in the volume of

transported goods and passengers by continuously tapping the latent power in the drive to conduct readjustment and reforms and upgrading transportation capacity. The province's total volume of transported goods reached 240 million tons, a 3.5 percent increase over the 1984 figure. Of this, the volume of goods transported by railway within the province reached 140 million tons, a 2.7 percent increase over the 1984 figure; that of goods transported by highway, 49.17 million tons, a 4.5 percent increase over the 1984 figure; that of goods transported by waterway, 1.48 million tons, basically the same as the 1984 figure; that of goods and postal matters transported by civil aviation planes within the province, 5,295 tons, a 23.2 percent increase over the 1984 figure; that of oil carried by pipeline, 45.08 million tons, a 4.4 percent increase over the 1984 figure; and that of goods loaded or unloaded by the state-run ports in the province, 44.71 million tons, a 10 percent increase over the 1984 figure. Of the goods loaded or unloaded by the ports, the volume of export goods showed a 19.2 percent increase over the 1984 figure, and that of import goods, a 1.4 percent increase over the 1984 figure.

The province has somewhat relieved the strained situation in railway passenger transport thanks to the price hike by the state with regard to short-distance railway transport, having highway transport units share the tasks of railways, and developing private transport firms. The volume of passengers transported by railway within the province reached 187 million persons, a 5.8 percent decrease over the 1984 figure; that of passengers transported by highway, 173 million persons, a 4.8 percent increase over the 1984 figure; that of passengers transported by waterway, 200,000, an 11.1 percent increase over the 1984 figure; and that of passengers transported by civil aviation planes within the province, 210,000, a 73.6 percent increase over the 1984 figure. The post and telecommunications undertakings were improved to a greater extent and the capacity of communications and the construction of urban telephone lines were continuously strengthened. The total volume of post and telecommunication operations accounted for 171 million yuan, a 16.5 percent increase over the 1984 figure. Of this, the volume of postal deliveries showed a 19.2 percent increase over the 1984 figure; that of telegrams, a 22.3 percent increase over the 1984 figure; and that of long-distance telephone operations, a 23.9 percent increase over the 1984 figure. However, the strained situation in transportation, post, and telecommunications has not been fundamentally relieved and is the weak link that has still restricted the economic development in our province.

##### 5. Commerce and Commodity Prices

Along with the gradual conducting of reforms in commercial systems in 1985, markets throughout the province enjoyed brisk buying and selling. The volume of commodity purchased by the state-run firms and the supply and marketing cooperatives throughout the province reached 13.25 billion yuan, a 6.8 percent increase over the 1984 figure. Of this, the volume of purchased industrial products showed a 15.5 percent increase over the 1984 figure. The province realized an 18.6 percent increase in 1985 in its volume of commodities transferred to the places outside the province and a 14.5 percent increase in its volume of commodities transferred from the places outside the province, as well as a 21.7 percent increase in its volume of commodities bought from the places outside the province. The total value of retail sales of commodities

of the province reached 23.1 percent, an increase of 22.2 percent over the previous year. If the rise in the prices is excluded, the increase was 11.1 percent. Of this, the retail sales of consumer goods were valued at 20.91 billion yuan, an increase of 24.8 percent, and the value of retail sales of the agricultural capital goods reached 2.19 billion yuan, an increase of 1.7 percent. Of the volume of retail sales for consumer goods, the sales of foodstuffs, clothing, and daily necessities increased comprehensively. The sales of food commodities increased by 20.7 percent, that of clothing 24.7 percent, and that of daily necessities 26.3 percent. Judging from the sales of consumer goods, the sales of quality and high-grade durable consumer goods increased sharply. The sales of electric fans increased by 1.4 times, that of refrigerators 1.9 percent, that of television sets 15.9 percent--color television sets increased by nearly 2 times,--that of washing machines 13.6 percent, and that of cassette recorders 13.3 percent. The volume of sales of other daily necessities and other general products for daily use was stable, basically meeting the supply needs. We witnessed a new development in the province's urban and rural trade fairs. By the end of the year, we had 2.158 urban and rural trade fairs, an increase of 273 trade fairs or 14.5 percent over the previous year. The total volume of transactions reached 2.57 billion yuan, an increase of 50.4 percent. The transaction volume of some major products also increased sharply. The sales of edible vegetable oil increased by 57 percent, that of pork 70.1 percent, and that of beef, eggs, and live chickens rose respectively by 50 percent or more.

With the deepening reform of the commercial structure, the market setup showed remarkable changes. Of the total value of retail sales of commodities, the value of retail sales by the state economic units increased by 17.4 percent and the proportion of retail sales by these units dropped from 47.7 percent in 1984 to 45.8 percent; the value of retail sales by the collective economic units increased by 13.7 percent and the proportion dropped from 38.7 percent in the previous year to 36 percent; the value of retail sales by individual economic units increased by 73.7 percent and the proportion rose from 8.6 percent in the previous year to 12.2 percent; and the value of retail sales by peasants to the nonagricultural population in the village fairs increased by 46.3 percent and the proportion rose from 5 percent in the previous year to 6 percent. By the end of the year, the commercial units throughout the province had established a total of 69 trading centers of various descriptions. Among the province's small retail enterprises, about 75.2 percent have been given a free hand in changing the operation methods and line of production and in leasing out their businesses to other people. However, some brand-name and quality large commodities of reasonable prices were in short supply and the surplus purchasing power of the residents continued to grow.

#### The Retail Sales of Commodities

[The value of retail sales of commodities is indicated by bar graph showing that the value of retail sales of commodities reached 13.15 billion yuan in 1981, 13.9 billion yuan in 1982, 15.34 billion yuan in 1983, 17.96 billion yuan in 1984, and 21.72 billion yuan in 1985.]

In 1985, our province vigorously and soundly carried out the price structural reform, eased the price restrictions in some major nonstaple foodstuffs such

as port and vegetables, and played an active part in bringing the irrational proportions in the various sectors into a better balance. However, the price rises were still great. The total purchasing price index for farm and sideline products showed an average increase of 11.7 percent over the previous year. The total retail price index went up by 10 percent over the previous year, of which, that of the urban areas went up by 11.8 percent, and the rural areas went up by 6.1 percent. The consumer goods price index went up by 10.6 percent and the price index for the agricultural capital goods went up by 4.9 percent. Viewing from the retail prices of various consumer goods, the prices of foodstuffs went up by 16.3 percent, of which, the price of fresh vegetables went up by 24.2 percent; that of meat, poultry and eggs 16.9 percent respectively; that of aquatic products 47.9 percent; and that of fruits 39.7 percent. The retail prices of [word indistinct] increased by 2 percent, of which, the price of daily necessities increased by 4 percent, and that of books, newspapers and periodicals 16.8 percent respectively. The retail prices of goods for cultural and recreational purposes, medicines, medical equipment and fuel also went up slightly. The index for the cost of living of the workers during the year rose by 11.4 percent, of which the price index for services went up by 6.7 percent. The index for the cost of living of peasants went up by 6.7 percent over the previous year, of which the price index for services went up by 6.6 percent.

## 6. Foreign Economic Relation, Trade, and Tourism

Our province actively carried out foreign economic relations, trade, and technical exchanges in 1985 and made new progress in enforcing the policy of opening to the outside. The province's purchasing volume of export commodities reached 3.64 billion yuan, a 17.3 percent increase over the 1984 figure. The total trade volume of Dalian harbor city in both export and import reached \$5.39 billion, a 5.3 percent increase over the 1984 figure. Under the circumstances in which the export prices declined over the past consecutive years and the demand of domestic markets increased, the province's export volume topped the previous peak and reached more than \$5 billion, an 1 percent increase over the 1984 figure, overfulfilling the 1985 plan. The province's total import volume reached \$350 million, an 1.8 percent increase over the 1984 figure.

Our province gradually expanded the scope of utilizing outside funds and introducing outside technology and increased the number of technology-knowledge intensive projects. The province introduced 214 completed sets of production lines, and showed a 94 percent increase over the 1984 figure. It newly signed the contracts concerning 1,213 items of utilizing outside funds and introducing outside technology, which dealt with \$880 million, a 100 percent increase over the 1984 figure, the same as the 1.6 fold volume scored in the first four years of the Sixth 5-Year Plan. Of the \$880 million, the volume of introduced funds reached \$340 million, a 330 percent increase over the 1984 figure; and that of introduced technology were worth \$540 million, a 48 percent increase over the 1984 figure. The province actually spent \$360 million of foreign exchange. The Dalian economic and technical development zone has signed the contracts concerning 14 projects, of which, the construction work of 13 projects has begun. The province also signed 60 new contracts with outside units with regard to construction work and labor force

cooperation, which dealt with \$33.98 million, an 81 percent increase over the 1984 figure. The province realized a \$15.68 million of turnover in these contracts, and showed a 670 percent increase over the 1984 figure.

Our province achieved swift development in tourism in 1985. It received 96,400 visitors from 93 countries and regions of the 5 continents, who were tourists, visitors to their relatives and friends, and to scenic spots, and personnel joining in the exchange programs of trades, science, and culture. The province showed a 64.1 percent increase in receiving visitors over the 1984 figure. Of these, visitors from foreign countries reached 80,000, a 64.5 percent increase over the 1984 figure; and overseas Chinese and compatriots from Hong Kong, Macao, and Taiwan reached 16,400 a 62.1 percent increase over the 1984 figure. The annual foreign exchange income earned in the tourism reached \$15.571 million, a 62.9 percent increase over the 1984 figure.

## 7. Finance, Banking and Insurance

In 1985 our province scored market achievements in enhancing management in finance and banking and carrying out general inspection over financial affairs, tax revenues, and commodity prices, while further doing a good job in conducting reforms in the systems of finance and banking. The annual local financial revenues reached 7.93 billion yuan, a 17 percent or 1.05 billion yuan increase over the 1984 figure. The province prefulfilled or overfulfilled the annual revenue plan by two months and topped the peak scored in the past few years. The annual local financial spendings, including the disaster relief funds additionally assigned by the central authorities and the spendings on purchasing extra grains at added prices, reached 5.72 billion yuan, a 46.2 percent increase over the 1984 figure.

By the end of 1985, the volume of various deposits in the banks throughout the province reached 21.63 billion yuan, a 19.1 percent increase over the figure scored at the beginning of the year, the volume of various loans, 33.72 billion yuan, a 20.9 percent increase over the figure scored at the beginning of the year; and the volume of money deposited by both urban and rural people, 10.1 billion yuan, a 2.73 billion yuan or 37.1 percent increase over the figure scored at the beginning of the year. Of these, deposits by urban people reached 7.27 billion yuan, a 2.14 billion yuan or 41.8 percent increase over the figure scored at the beginning of the year; and those by rural people, 2.83 billion yuan, a 590 million yuan or 26.4 percent increase over the figure scored at the beginning of the year.

Our province achieved new development in insurance business in 1985. It increased the varieties of insurance policies from 60 in the first half to 90 in the later half and realized a 42.8 percent increase in the income earned from the insurance business with domestic clients and a 580 percent increase in the income earned from the insurance business with clients.

## 8. Science, Education, and Culture

In 1985, we conscientiously implemented the decision of the CPC Central Committee on reforming the structures of science, technology, and education, bringing vigor and vitality to the province's scientific, technological,

cultural, and educational undertakings. Our scientific and technical ranks were expanded increasingly and remarkable results were made in popularizing scientific and technological findings. There were 483,000 personnel in the state-owned natural sciences units and 374,000 personnel in the state-owned social sciences units, an increase of 5.5 percent and 21 percent respectively over the previous year. The number of scientific and technical findings in the social sciences sector during the year came to 2,476, an increase of 576 items over the previous year, of which 850 items were major scientific and technological findings. Eight inventions and discoveries won the state patent right. Some scientific and technological items such as the ceramic crystallized glaze industrial experiment and the instrument for examining skulls attained the advanced international level.

Educational undertakings developed rapidly and new achievements were made in reforming the educational structure. The institutions of higher learning throughout the province had a total enrollment of 95,000 students, the largest enrollment in a year. There were 21 institutions of higher learning for training graduate students for doctorates. These institutions had a total of 3,687 graduate students, an increase of 1,563 students over the previous year. The secondary specialized education as well as the vocational and technical education had been strengthened and initial achievements were made in readjusting the structure of secondary education. The total student body of the secondary specialized schools throughout the province reached 70,000, an increase of 9,000 students over the previous year. The student body of the agricultural and the vocational middle schools reached 147,000, an increase of 52,000 students. The proportion of student body of secondary specialized, agricultural, and vocational middle schools to the student body of senior middle schools rose from 31 percent in the previous year to 41 percent. We scored initial results in changing the situation in which the unitary system of secondary education was implemented. The total enrollment of regular senior middle schools reached 313,000, an increase of 19,000. There were 1.556 million regular junior middle school students, an increase of 88,000. There were 4.223 million primary school students throughout the province and the school admission rate of school-age students reached 98.3 percent. Adult education developed rapidly and a multilayered adult education network was in a fledgling form. The province's total student body of various kinds of institutions of higher learning, secondary and primary schools for adults reached 673,000.

New achievements were made in the cultural, broadcasting, television, and publication undertakings. The province as a whole produced 192 new films of various types. There were 11,821 film projection units of various types at the end of the year. The number of cultural halls, galleries, public libraries, and museums increased slightly over the previous year. The province as a whole had 14 radio broadcasting stations with 33 transmitting and relay stations, and 15 television centers, with 36 transmitting and relay stations, and 15 television centers, with 36 transmitting and relay stations each equipped with transmitters for 1,000 watts or more, all showing a slight increase over the previous year. About 63.2 percent of the population could receive radio broadcast and about 68.3 percent of the population could receive television broadcast. The province as a whole had 83 kinds of newspapers, an

increase of 21 kinds over the previous year, and published 1,763 kinds of books and magazines, an increase of 441 kinds over the previous year.

## 9. Public Health and Sports

New progress was made in the public health undertakings in 1985. At the end of the year, our province had 136,000 hospital beds, an increase of 7,000 over the previous year, and 50,000 family-based sickbeds, ranking first in China. At present, the province has initially formed various kinds of medical cooperative associations. The number of health workers totalled 193,000, an increase of 7,000 persons over the previous year. This included 66,000 doctors, an increase of 2,000 doctors over the previous year. We also further strengthened the work of preventing and curing all kinds of common and endemic disease.

In 1985, we witnessed fruitful achievements in sports undertakings. The provincial contestants won 124 gold medals in the domestic and international competitions, winning 4 more gold medals than the best year of 1984. At the intercontinental level competitions, 16 contestants won 22 championships, 5 contestants broke 2 Asian game records on 6 occasions, and 2 contestants created the best world records in the 10 km heel-and-toe walking races on two occasions. At the national competitions, 18 contestants, and 2 teams broke 13 national records on 21 occasions, and 4 contestants broke 6 national youth records on 7 occasions. We won a total of 102 championships, an increase of 9 over the previous year. The province as a whole held a total of 1,326 sports meets at the county level or above.

## 10. People's Livelihood

On the basis of developing production, the state conducted preliminary reforms in wages systems in 1985, delegated power to fix the prices of meat, poultry, egg, aquatic products, vegetable, and other nonstaple foodstuffs, and gave adequate subsidies to the urban people, which enabled residents in both urban and rural areas to upgrade their standards of incomes in varying degrees. According to the sample income survey carried out among the households in both urban and rural areas, the per capita income of urban areas, which was spent only on livelihood, reached 689 yuan, a 17.6 percent increase over the 1984 figure and a 4.8 percent increase after deducting the factor of price changes. After suffering from the serious natural disaster, the per peasant net income reached 460 yuan, a 0.9 percent increase over the 1984 figure and a 5 percent decrease after deducting the factor of price changes. (Footnote 4) (The per peasant net income does not include the incomes gained through selling their property and those of cash presentation among the rural people.) Judging from the living expenses of both urban and rural people, the per capita living expense of urban areas reached 650 yuan, a 20.2 percent increase over the 1984 figure and a 7.9 percent increase after deducting the factor of price changes. Of these expenses, those spent on consumer goods showed a 20.5 percent increase over the 1984 figure and those on service for cultural life showed a 16.7 percent increase over the 1984 figure. The per peasant living expense in rural areas reached 390 yuan, a 16.6 percent increase over the 1984 figure and a 9.3 percent increase after deducting the factor of price changes.

Our province made job arrangements for 318,000 jobless persons in urban areas in 1985. At the end of 1985, the number of staff members and workers throughout the province reached 9.209 million persons, a 2.2 percent increase over the 1984 figure. The annual total wages of staff members and workers reached 9.63 billion yuan, a 17.6 percent increase over the 1984 figure. Of these wages, those of bonus and overtime payment reached 1.83 billion yuan, a 25.3 percent increase over the 1984 figure. The average wages in cash of staff members and workers throughout the province reached 1,057 yuan, a 14.3 percent increase over the 1984 figure and a 2.6 percent increase after deducting the factor of price changes. The housing conditions of both urban and rural people were improved thanks to the faster development in housing construction in both urban and rural areas.

#### The Changes of Living Incomes and Spendings of Both Urban and Rural People

[The changes are indicated by a bar graph showing that the urban people's income in 1981 reached 480 yuan and the rural people's income in 1981 reached 310 yuan; urban income in 1982 reached 500 yuan and rural, 330 yuan; urban income in 1983 reached 500 yuan and rural, 460 yuan; urban income in 1984 reached 600 yuan and rural, 490 yuan; and urban income in 1985 reached 689 yuan and rural, 500 yuan. The graph also shows that the urban people's spending in 1981 reached 460 yuan and that of the rural people's in 1981 reached 260 yuan; urban spending in 1982 reached 470 yuan and rural, 260 yuan; urban spending in 1983 reached 490 yuan and rural, 300 yuan; urban spending in 1984 reached 550 yuan and rural, 340 yuan; and urban spending in 1985 reached 650 yuan and rural, 380 yuan.]

#### 11. Population

According to the estimation carried out in line with the population changes revealed by the sample census, the province's population reached 36.89 million persons by the end of 1985, an increase of 342,000 persons over the figure scored at the end of 1984. The province's birth rate was 13.25 per thousand; that of death, 5.28 per thousand; that of natural growth, 7.97 per thousand; that of family planning, 99.4 percent; that of one-child couples, 90.9 percent; that of two-children couples, 8.9 percent; and that of many-children couples, 0.2 percent. In 1985 the province showed an increase in its birth rate, natural population growth, and two-children couples, chiefly because of the increase of fertile women and newly married couples and the further improvement in the policy. The province also showed a slight increase in the death rate because of the change in the age structure of the population.

#### [Explanation of--Footnotes:]

All figures revealed by the communique are of the nature of bulletins. In the communique, the calculation of the GNP, total social product, national income, and total product of rural society was carried out in line with the prices in the year. The calculation of the total industrial and agricultural output value was carried out in line with the unchanged prices in 1980 and that of increases scored in various targets were carried out in line with the comparable prices.

AGGREGATE ECONOMIC DATA

SICHUAN RELEASES ECONOMIC STATISTICS FOR 1985

HK080329 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 7 Mar 86

[Excerpts] The provincial statistics bureau has published its report on the province's national economic and social development in 1985.

The report says: Last year the province's domestic output value rose by 11.3 percent over 1984. Total social output value rose by 14.3 percent. Total industrial and agricultural output value rose by 13.2 percent. National income rose by 11.7 percent.

Agricultural output value was 30.54 billion yuan, a rise of 9 percent over 1984. Despite a decline, grain output was 38.37 million tons, the fourth highest on record. Big increases were recorded in output of major industrial crops, except for cotton. A good momentum of sustained growth was [word indistinct] animal husbandry. Total output value of the township enterprises was over 14 billion yuan, a rise of 62.4 percent over 1984.

Under the impetus of all-round reforms of the economic structure with the focus on the cities, the province recorded sustained development in industrial and communications production, key construction, and commodity circulation. Total industrial output value rose by 16.2 percent over 1984. Big increases were recorded in output of consumer durables such as color television sets, refrigerators, recorders, and washing machines.

Average net peasant income in 1985 was 315 yuan. Their real income rose by 6.9 percent over 1984. Disposable income of urban residents averaged 644 yuan, and their real income rose by 8.2 percent. Year end savings deposits of urban and rural residents stood at 9.073 billion yuan, a rise of 37 percent.

/12913

CEO: 4006/807

1 April 1986

## AGGREGATE ECONOMIC DATA

## MAJOR INDICES OF COMPREHENSIVE REFORM IN PILOT CITIES

Beijing JINGJI RIBAO in Chinese 18 Dec 85 p 2

[Text]

Year	Labor productivity (yuan/person)			Taxes and profits per 100 yuan of funds (yuan)			Per capita liv- ing area (square m)			Retail and com- mercial outlets per 10,000 persons		
	1982	1983	1984	1982	1983	1984	1982	1983	1984	1982	1983	1984
Average for all cities	13,866	14,649	15,990	27.6	26.2	27.4	4.4	4.6	4.9	29.9	50.2	64.9
Shijiazhuang	15,016	15,657	17,817	37.4	32.8	30.5	3.9	4.3	4.9	23.5	38.4	52.0
Handan	9,630	10,379	11,005	21.3	21.5	21.9	4.5	4.8	4.6	20.8	47.6	80.8
Tangshan	10,164	10,400	11,135	18.9	18.5	18.1	3.3	4.2	5.4	49.4	55.6	101.2
Qinhuangdao	8,107	8,699	9,848	12.9	15.8	19.9	4.6	4.6	4.2	22.2	35.5	74.5
Taiyuan	10,561	12,490	13,418	13.7	15.3	15.5	4.5	4.8	5.2	21.8	29.8	32.3
Hohhot	8,842	10,073	11,317	14.4	20.5	22.7	4.6	5.2	5.5	32.2	67.4	78.9
Baotou	10,272	10,881	11,137	8.6	9.5	10.1	3.8	14.1	4.2	22.3	43.5	55.7
Shenyang	11,510	12,602	14,461	20.3	19.1	21.7	3.9	4.1	4.8	27.3	46.3	66.8
Dalian	18,080	19,418	22,461	34.8	35.3	37.8	4.3	4.4	4.7	27.5	42.2	65.0
Dandong	15,124	16,083	19,344	28.0	26.2	27.7	3.0	3.7	3.9	41.0	83.0	100.6
Changchun	11,798	12,633	14,356	23.1	24.6	29.1	4.3	4.5	4.7	32.8	59.8	69.6
Siping	11,455	13,008	14,343	22.6	22.3	17.4	3.6	4.0	4.1	36.8	73.7	111.4
Jilin	16,782	18,918	19,214	26.2	28.6	23.1	4.0	4.4	4.4	28.1	75.2	83.4
Harbin	10,377	11,158	12,308	15.4	14.8	16.4	3.3	3.5	3.8	29.4	52.8	53.2
Mudanjiang	12,508	13,659	14,711	22.9	23.8	23.3	3.6	3.7	3.9	42.0	55.6	69.5
Nanjing	15,812	16,738	18,837	28.2	29.2	33.6	5.4	5.7	5.8	31.1	39.2	54.1
Changzhou	23,594	24,488	25,859	35.7	34.7	34.5	4.7	5.1	5.4	19.8	27.1	38.3
Hangzhou	16,552	17,859	20,315	47.5	48.5	49.6	4.8	5.3	5.7	23.0	35.5	48.3
Huzhou	15,902	16,637	17,675	38.0	36.4	34.5	6.0	6.2	6.8	24.7	31.9	66.2
Ningbo	17,358	19,464	27,907	53.0	51.7	57.1	6.4	6.3	6.5	29.5	42.9	58.5
Wenzhou	8,843	9,698	10,869	13.8	17.0	16.3	4.7	4.9	4.9	50.2	111.8	126.8
Hefei	12,342	13,154	14,684	26.6	26.0	29.3	3.2	7.5	7.7	27.4	28.3	57.3
Bengbu	19,922	19,827	20,793	45.6	44.0	48.2	3.7	4.1	4.8	40.0	48.3	59.7
Jingdezhen	5,183	6,634	7,743	14.1	14.6	15.8	4.0	5.1	5.0	15.4	36.8	63.4
Pingxiang	4,915	4,920	5,299	1.5	4.5	7.9	4.7	4.8	4.7	16.8	36.1	39.9
Fuzhou	10,724	13,366	13,223	22.8	20.7	21.9	4.8	5.3	5.7	29.2	52.9	66.9
Sanming	12,601	12,741	13,904	21.6	18.8	17.6	5.2	6.4	6.9	32.0	69.1	80.9
Quanzhou	9,748	9,752	11,532	24.6	20.8	20.5	4.6	4.9	5.2	31.8	103.9	78.3
Xiamen	14,885	15,319	17,806	44.1	38.9	44.8	4.7	5.0	5.6	34.1	85.4	107.0
Jinan	13,874	14,714	16,113	26.3	25.0	28.6	4.6	4.9	5.1	28.3	49.4	56.4
Weifang	18,745	19,403	19,057	18.2	17.5	16.8	4.6	5.0	5.2	23.5	54.5	71.5

[continued]

Anyang	7,340	12,260	13,370	25.1	34.0	28.7	3.8	4.1	3.3	4.3	26.6	24.7	49.9
Kaifeng	12,583	12,391	13,456	26.0	24.5	27.7	4.5	4.7	3.1	4.7	57.9	78.4	97.4
Luohe	11,311	10,438	13,187	33.3	31.4	31.2	4.3	4.7	3.1	4.8	49.1	82.2	94.9
Zhengzhou	14,063	14,274	14,091	31.8	31.8	29.2	4.5	4.9	3.3	4.9	35.3	35.6	67.7
Wuhan	14,986	16,100	17,298	18.4	19.4	21.4	4.9	4.8	3.1	24.2	36.7	67.2	
Shashi	16,052	17,078	17,342	22.5	18.1	17.5	5.3	5.9	6.2	21.5	31.9	51.7	
Xiangfan	13,742	14,443	14,296	25.5	25.3	24.7	5.0	5.1	5.3	23.5	48.6	61.1	
Changsha	11,759	11,576	13,228	22.4	20.5	25.4	5.9	6.3	6.5	34.8	65.9	80.6	
Hengyang	13,660	12,179	13,740	17.9	19.0	18.1	4.9	5.2	5.5	24.6	55.4	79.8	
Guangzhou	16,043	17,814	20,015	34.4	36.1	37.3	4.5	4.9	5.3	36.0	79.6	106.3	
Foshan	16,631	19,444	26,097	27.2	26.6	27.2	6.6	7.3	7.5	26.4	43.9	61.5	
Jiangmen	15,694	17,633	19,561	32.4	28.7	25.2	4.6	5.7	5.7	29.7	52.6	71.0	
Zhanjiang	9,364	7,797	8,836	27.0	18.1	17.4	5.0	4.9	6.6	27.4	56.9	75.8	
Nanning	12,514	13,040	13,099	26.0	23.2	23.7	4.0	4.8	4.9	29.9	45.5	67.3	
Liuzhou	13,801	14,257	15,400	16.8	20.1	24.8	4.2	4.2	4.3	47.0	59.9	85.9	
Chengdu	11,079	12,194	14,667	16.9	22.1	23.3	4.9	5.3	5.5	46.1	76.0	90.4	
Chongqing	10,156	11,391	12,650	17.8	20.6	22.4	3.4	3.6	3.8	30.7	45.8	58.8	
Guiyang	9,341	11,007	12,860	18.9	18.5	19.8	4.1	4.4	4.5	51.5	61.2	91.8	
Zunyi	7,405	7,461	8,521	9.8	10.2	13.7	2.7	4.1	4.1	75.1	61.4	92.8	
Duyun	6,613	5,739	6,793	6.9	4.4	6.6	4.2	4.6	3.4	55.3	39.1	62.8	
Kunming	13,035	14,142	15,947	27.7	27.4	29.0	5.5	5.9	6.2	33.1	58.8	70.8	
Xi'an	10,487	11,503	12,311	14.4	14.3	14.7	4.0	4.2	4.4	24.7	40.9	55.4	
Lanzhou	13,218	13,944	14,878	20.4	20.5	21.6	4.5	4.6	4.8	24.4	37.3	64.8	
Tianshui	6,646	6,847	7,593	7.3	9.6	11.5	5.0	4.5	4.7	22.9	36.7	40.3	
Yinchuan	8,317	10,165	11,422	7.8	12.6	14.6	5.3	5.6	5.9	18.9	45.7	50.9	
Xining	8,750	8,416	9,513	4.4	9.5	10.5	4.6	4.8	5.0	40.3	66.3	63.1	
Urumqi	6,541	8,833	9,870	10.4	13.4	16.2	4.5	4.8	5.1	26.6	49.6	63.0	

- Notes: 1. This table covers only cities and municipalities and does not include city-administered counties.
2. Data for labor productivity, and taxes and profits per 100 yuan of funds, are for state-owned industrial enterprises with independent accounting.

/9365

CSO: 4006/572

AGGREGATE ECONOMIC DATA

BRIEFS

ANHUI 1985 ECONOMY--The provincial economy developed in a sustained and comprehensive way in 1985. Compared with 1984, gross social output value increased by 18.3 percent, gross industrial and agricultural output value by 19.3 percent, national income by 15 percent, financial revenue by 29.9 percent, and the farmers' per capita income by 12.9 percent. [Summary] [Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 5 Mar 86 OW] /12913

CSO: 4006/807

ECONOMIC MANAGEMENT

LIAONING COMMENTARY ON CONTROLLING CAPITAL CONSTRUCTION

SK050505 Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 2 Mar 86

[Station commentary: "Bring the Investment in Capital Construction under Macroeconomic Control"]

[Text] In 1985, our province realized a more than a 40-percent increase in the investment in capital construction over the 1984 figure. However, the proportion of investments in the projects of energy resources, communications, and water sources, which have never been short of funds for investment, declined by 4 percent just because the investment in nonproductive projects and in the construction projects outside the plan was inflated. As a result, the projects whose construction should enjoy priority have not been built on schedule; those that should be put on important positions have not enjoyed the privilege; and those whose construction would have turned out to be benefits have not brought about effects. All of these have lowered economic results and adversely affected the reserve strength in developing the economy.

Such an abnormal phenomenon has shown us that efforts should be made to bring into full play the role of existing financial sources; that it is imperative to enhance macroeconomic control over the scope of investment in fixed assets; and that a good job should be done in making overall arrangements. In referring to enhancing macroeconomic control, some comrades, particularly some leading comrades of the local authorities and the departments have often set the macroeconomic control against microeconomic flexibility, and always attempted to get rid of the macroeconomic control. Thus, they have persisted in contending for investments and projects while paying no attention to the state's repeated injunctions and to the possible objective conditions and only by proceeding from the limited capability of their land. They have violated even the state policy by mapping out the project plans which were not assigned to them in order to induce investments. They spent the funds at will after they obtained the funds for investment, and asked again for money when they were short of funds. They also made trouble when inducing no investments. Under this circumstance, they had no way of expecting the effect of investments, and were reluctant to slow down the speed of building the key projects that have a vital bearing on the situation as a whole, despite the financial shortage. As a result, there has been no progress in building all projects, and there has also been no emergence of new projects.

We should note that, in order to seek a comparative balance in the course of developing the national economy, efforts should be made for a certain period of time to make an overall arrangement and to build the projects in the order of importance and urgency. Otherwise, it is very possible that an imbalance in proportion can be brought to us. Over the past few years, most of our processing industries have been reluctant to reduce or suspend their production despite the imbalance in proportion in the sectors of raw materials and energy resources, and such a difficult position has not been totally removed as of now. Therefore, enhancing macroeconomic control not only constitutes the current problem that needs to be dealt with urgently, but also represents the necessary law for the task of making a success in economic construction.

In 1986 various cities and prefectures throughout our province will have a certain increase in the investments appropriated by the state and the provincial authorities and in their funds. Therefore, they must think thrice before spending these funds for investments. Though the state of affairs in various localities differs in thousand ways, their identical points should be to proceed from the situation as a whole and to put the party subordinate to the whole. This means that efforts should be made to spend the money for practical usage and to bring the necessary construction projects under macroeconomic control unconditionally.

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ECONOMIC MANAGEMENT

SHANGHAI'S BUSINESS LEADERS STUDY MANAGEMENT

OW031949 Beijing XINHUA in English 1646 GMT 3 Mar 86

[Text] Shanghai, 3 March (XINHUA)--Leaders of Shanghai's state-owned enterprises are flocking to courses in management theory that have already produced results, local officials said today.

According to the Shanghai Municipal Economic Commission, 24,000 enterprise leaders enrolled in management courses last year, and so far 2,300 of them have passed the required national examination for enterprise managers.

City officials said the most outstanding success in management training has been at the Zhengtai rubber plant, where leaders invited professors from Shanghai Polytechnic University and Shanghai Normal University to lecture on management theory and techniques.

As a direct result, said the officials, the plant established a total quality control system so effective that the plant's tires are much wanted in Europe and the United States--the only Chinese tires to attain export quality.

Zhengtai has earned enough from the exports that the taxes and profits it turned over to the state could build two more rubber plants its size.

As part of China's economic reforms, enterprise management positions in Shanghai are increasingly being filled by people with certified expertise.

According to the Shanghai commission, 83 percent of the 1,100 men and women who hold leading posts in the city's 177 large and medium-sized enterprises have more than high school education--a substantial improvement over past decades.

Yet, city officials said, enterprise leaders tend to come mostly from technical departments--and to have little experience in management.

That accounts for the growth in management training programs begun by the government, universities and enterprises, the officials said.

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ECONOMIC MANAGEMENT

XINJIANG CONFERENCE SETS OUT ECONOMIC TASKS

HK050315 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 4 Mar 86

[Excerpts] The regional economic work conference which concluded today decided that the region's main efforts in this work during the Seventh 5-Year Plan should be focused on strengthening enterprise management and doing a good job in technological transformation. The main goals should be to improve product quality, reduce material consumption, and improve economic results.

The conference pointed out: We must clearly realize that the region's industry and communications enterprises are universally plagued by poor management standards, obsolete equipment, backward technology, poor product quality, high material consumption, and low economic results. In order to solve these problems, this year we must first do a good job in synchronous reforms at upper and lower levels so as to invigorate the enterprises. The regional departments concerned must establish the idea of serving the enterprises and actively create the necessary external conditions for reforms in the enterprises.

The conference stressed: We must further promote and perfect all-round quality control, establish rules and regulations regarding quality, and apply economic and legal measures to grasp quality. It is necessary to set specific targets for checking on an enterprise's consumption of raw materials and energy, and reward them for thrift and fine them for excessive consumption. Everything possible must be done to reduce material consumption.

It is necessary to do a good job in technological transformation and stimulate technical progress.

During the 7-day meeting, Regional Vice Chairman Tuohuti Shabier conveyed the spirit of the national economic work conference, and delivered a report entitled "Carry out reforms in depth, strengthen management, and strive to improve economic results." Zhang Sixue, deputy secretary of the regional CPC Committee, made a report entitled "Seriously implement the spirit of the National Conference of Party Delegates and vigorously step up ideological and political work on the economic front." Regional CPC Committee Secretary Song Hanliang made an important speech. Regional Government Chairman Tomur Dawamat gave a summation.

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ECONOMIC MANAGEMENT

SICHUAN PAPER URGES IMPLEMENTING CENTRAL DOCUMENT NO 1

HK060209 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 5 Mar 86

[*"Excerpts"* from 6 March SICHUAN RIBAO Editorial: *"Work Hard at Implementation -- Seriously Study and Implement Central Document No 1"*]

[*Excerpts*] The arrangements of the CPC Central Committee and State Council for this year's rural work have been published in the press. These fully accord with Sichuan reality. The provincial CPC Committee and government have demanded that the party committees and government at all levels seriously study this document and make great efforts to implement it in light of local realities.

In view of Sichuan realities, we must do a good job in work regarding one foundation--grain production--and two pillars--animal husbandry and township enterprises--which are the focal points to be tightly grasped in implementing central Document No 1. To regard grain production as the foundation of agricultural production is the strategic principle we must uphold for a long time to come. There must not be the slightest slackening of grain production at any time.

Another focal point in implementing the document is to do a good job in developing the rural economy in hilly areas. These areas must take appropriate measures to take advantage of their strong points by readjusting their production structure, organizing primary production, and expanding the export of manpower. In this way the pace of economic development in the hilly areas should be accelerated.

Another focal point to be grasped in implementing Document No 1 is to establish and put on a sound basis various kinds of social service systems and infrastructural facilities.

The editorial says in conclusion: In implementing this document, we must prevent and eliminate the defect of generalized leadership. We must firm up all work for each household in a thoroughly sound way. The busy season of spring farming is now here. The leaders at all levels must go deep into reality and concentrate efforts, time, and personnel for publicizing and implementing central Document No 1 down to each household in the next 2 months.

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CSO: 4006/825

ECONOMIC MANAGEMENT

DUALISM OF PRODUCTION RELATIONS UNDER SOCIALISM

Beijing GUANGMING RIBAO in Chinese 14 Dec 85 p 3

[Article by Song Yangyan [1345 7402 8827] and Wang Haidong [3769 3189 2639]:  
"Double Helix Structure in Property Relations"]

[Text] Experiments have proved that the hereditary substance made up of DNA is a double helix structure, demonstrating to us beyond any doubt that the formation and creation of any form of life with specific characteristics depend upon the combination and association of two hereditary substances.

Does it follow then that similar double helix structures exist in the economic world?

The broad sweep of human social history would suggest that the formation of any kind of production relations is determined by the combination of a particular system of ownership of the means of production with a particular system of ownership of labor. Since there are different combinations of the two systems, there are corresponding intrinsically different production relations.

Human history also shows that both systems of ownership of the means of production and systems of ownership of labor fall into two broad categories: private and public. Private ownership of the means of production, like private ownership of labor, includes three basic forms: ownership by the laborer, ownership by the nonlaborer, and partial ownership by the nonlaborer. Public ownership of the means of production, like public ownership of labor, also includes three basic forms: collective ownership, social ownership, and partial public ownership. To illustrate our point, let us make X represent a system of ownership of the means of production, and  $X_1$ ,  $X_2$ ,  $X_3$ ,  $X_4$ ,  $X_5$ , and  $X_6$  the six basic systems of ownership of the means of production: private ownership by the laborer, private ownership by the nonlaborer, partial private ownership by the nonlaborer, collective ownership, social ownership, and partial public ownership. Let us also make Y represent a system of ownership of labor and  $Y_1$ ,  $Y_2$ ,  $Y_3$ ,  $Y_4$ ,  $Y_5$ , and  $Y_6$  the six basic systems of ownership of labor: private ownership by the laborer, private ownership by the nonlaborer, partial private ownership by the nonlaborer, collective ownership, social ownership, and partial public ownership. By matrix multiplication, we can work out all the possible combinations of the two systems of ownership.

Assuming that  $X_1, X_2, X_3, X_4, X_5$ , and  $X_6$  are the row vector and  $Y_1, Y_2, Y_3, Y_4, Y_5$ , and  $Y_6$  the column vector, we obtain:

$$\begin{pmatrix} Y_1 \\ Y_2 \\ Y_3 \\ Y_4 \\ Y_5 \\ Y_6 \end{pmatrix} (X_1, X_2, X_3, X_4, X_5, X_6) = \begin{pmatrix} X_1Y_1 & X_2Y_1 & X_3Y_1 & X_4Y_1 & X_5Y_1 & X_6Y_1 \\ X_1Y_2 & X_2Y_2 & X_3Y_2 & X_4Y_2 & X_5Y_2 & X_6Y_2 \\ X_1Y_3 & X_2Y_3 & X_3Y_3 & X_4Y_3 & X_5Y_3 & X_6Y_3 \\ X_1Y_4 & X_2Y_4 & X_3Y_4 & X_4Y_4 & X_5Y_4 & X_6Y_4 \\ X_1Y_5 & X_2Y_5 & X_3Y_5 & X_4Y_5 & X_5Y_5 & X_6Y_5 \\ X_1Y_6 & X_2Y_6 & X_3Y_6 & X_4Y_6 & X_5Y_6 & X_6Y_6 \end{pmatrix}$$

The 36 combinations above constitute an interval of all possible production relations, including all production relations which have appeared in history. For instance, the production relations of a primitive commune is  $X_4Y_4$ , while those of a slavery system, a feudal system, capitalism, and socialism are  $X_2Y_2$ ,  $X_2Y_3$ ,  $X_2Y_1$ , and  $X_4Y_6 + Y_5Y_6$ , respectively. It can be foreseen that the production relations of communism in the future must be  $X_5Y_5$ . Throughout history, however, from the slavery system to the socialist society, there have also existed subordinate production relations which did not become the mainstream and hence not important enough to determine the nature of society. One example is small production ( $X_1Y_1$ ). Our scheme above also includes the five economic forms, or production relations, which appeared in the transitional period, as well as the seven or eight economic forms and economic relations existent in our present stage of development.

It can thus be seen that when we study any particular system of production relations in society, it is not enough for us to concentrate on systems of ownership of the means of production alone. We must also take into account the systems of ownership of labor, paying particular attention to the concrete form they take and their combinations during any specific stage in history. Human history proves that the two systems evolve and transform at different paces and that their evolution and transformation follow different patterns. But instead of each going its own way, they interact with and condition each other. Changes in one system lead to changes in the other, resulting in changes in production relations itself.

Undeniably, labor cannot forever be owned privately by the laborer under socialism; private ownership of labor must change. But this process of change is necessarily a long and natural one which takes place generally on the basis of the public ownership of the means of production. Promoting this change are three factors. First, the development of productive forces, which reduces labor differences, particularly those between physical and mental labor. Second, the gradual shift of the costs of production and reproduction from the laborer and his family onto primarily the state and society. Third, the rising

socialization of production forces organized in different joint labor associations. For society as a whole, however, we can say that only the partial public ownership of labor has been achieved.

It is precisely the fact that only the partial public ownership of labor is attainable under socialism which gives rise to an inevitable dualism in economic interests in all economic activities. In production, for instance, a laborer must join hands with other co-owners of means of production and work together for the good of society. On the other hand, as a partial owner of labor, he must be paid remuneration commensurate with the labor he puts forth, which embodies his personal interests. The combination of the public ownership of the means of production and the partial private ownership of labor is indicative of the immaturity and transitional nature which characterize socialist production relations and are their very essence.

In short, only by recognizing the double helix structure in systems of ownership can we demonstrate theoretically many longstanding knotty problems in economics. Only by recognizing the existence of partial individual ownership of labor even under socialism can we successfully tackle such issues as distribution according to work and respect for the labor rights and interests of laborers. And only then can our economic policies rest on a scientific and feasible theoretical basis.

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ECONOMIC MANAGEMENT

XINJIANG STEPS UP AUDITING, FINANCIAL EXAMINATION

HK050155 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 27 Feb 86

[Text] In 1985 auditing organs at all levels in the region conducted a region-wide financial discipline examination with correcting new malpractices as its main content, achieving remarkable results. Since the beginning of last year, auditing organs at all levels in the region chiefly audited units in eight trades, including water conservancy, mechanical building, forestry, communications, and goods supply, and examined some units which violated financial discipline, by embezzling state revenue, evading tax payment, misappropriating, squeezing and transferring funds, and arbitrarily issuing money and material objects. In the 2,049 units examined and audited, some 115.53 million yuan involved in various cases of violation of financial discipline have been verified, of which some 31.82 million yuan have been submitted to the state treasury, accounting for 56 percent of the money involved.

A regional auditing work conference was held from 20 to 27 February. The conference affirmed the achievements the region made in last year's auditing work and made specific arrangements for this year's auditing work.

The conference pointed out that in doing this year's auditing work, it is necessary to earnestly implement the policy of grasping focal points and laying down a good foundation, to safeguard financial discipline, and to audit deliberately and in a planned way some large and medium sized enterprises, finance and tax departments, capital construction projects with funds raised by people, projects funded by the world bank, trust organizations of all professional banks, administrative institutions, and the executive organs which have the right to collect fees or fines, so as to ensure the smooth progress of the region's economic reform.

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ECONOMIC MANAGEMENT

TIANJIN MAYOR ON URBAN, RURAL REFORMS

SK050100 Tianjin TIANJIN RIBAO in Chinese 5 Feb 86 pp 1, 3

[ "Excerpts" of speech by Li Ruihuan, deputy secretary of the municipal CPC Committee and mayor of the municipal government, delivered at the Tianjin Municipal Rural Work Conference on 1 February 1986: "Enthusiastically Explore Ways for Linking Urban Reform With Rural Reform in an Effort To Upgrade the Work of Serving Cities and Making the Peasants Rich to a New Level" ]

[Text] Today, I would like to concentrate my speech on the issue concerning how to form a good connection between the urban and rural reforms in an effort to upgrade the work of serving cities and making the peasants richer than before. This can be regarded as the continuation of my last year's speech on "Vitalizing the Rural Areas and Talking About the Changes in Rural Areas."

Why do I talk about this issue? It is because this is the most prominent task set forth in the course of reform as well as a question which the people on all fronts show most concern with although they hold completely different opinions. Just as everyone knows that the rural reform is developing constantly and extensively and the urban reform has comprehensively been carried out; thus, these two reforms have become more closely related to and have more prominently conditioned each other. So, it is impossible to solve some problems or to extensively carry out the reform if we do not form a good connection between the urban and rural reforms in the course of practices. Earnestly and conscientiously studying and conducting the practice concerning the forming of a good connection between the urban and rural reforms has become an urgent task of extreme importance. I hope that all of you will work hard in order to make greater progress and breakthroughs in this regard. I am going to set forth several opinions in the following three fields:

1. Clearly Understand the New Characteristics Cropping Up in the course of Reform

Over the past few years, in particular since last year, our municipality has entered a new important stage of urban and rural reform. Since the urban reform has been carried out more extensively, thoroughly, and comprehensively, we have made advance with big strides with regard to the reform of the ownership structure, the distribution system, the enterprise management system, the circulation system, and the external economic system. Along with the completion of the first-stage rural reform with a focus on establishing

and perfecting the system of contracted responsibility on the household basis with payment linked to output, the second-stage rural reform focusing on promoting the development of commodity production has begun. The new progress in the urban and rural reforms has brought about the entire economic activities many new tasks and characteristics, which are fundamentally different from those of the past.

First, after abolishing the system of state monopoly for purchasing agricultural and sideline products, and the system of fixed quotas for purchasing the agricultural and sideline products, some comrades held that "They could freely handle their products under the tight system of the past, but now that they have been given a free hand in their work they do not know how to handle their products." Instead of assigning the tasks of purchasing agricultural products to the peasants on the basis of the system of state monopoly for the purchases and the system of fixed quotas for the purchases, last year, the state began to carry out the systems of contracted purchases and market purchases for the agricultural products, except for some special varieties. After this reform, the peasants have been given real decision-making power to production and exchange, and fast results have been made in enlivening the rural economy and vitalizing the urban and rural markets. But, after reform, the people failed to immediately adapt themselves to the new systems for they had carried out the previous systems for a long time. On the one hand, some peasants did not know what course they should take and some were blindly engaged in production for they were accustomed to developing production in line with mandatory planning or they failed to seize the market information or to grasp the trends of supplies and demands; on the other hand, after abolishing the mandatory planning, the urban and rural areas had no effective methods for guiding the peasants' production and achieving the market supplies with the state planned market mechanism. This is a new question on how to gradually establish the means for coordinating and giving macrocontrol over the rural commodity economy under the circumstances of safeguarding the peasants' decision-making power to production, and making the rural economic development be geared to the needs of the urban markets as well as serve cities that are worth studying.

Second, after relaxing control over the prices of farm and sideline products, we came across contradictions in stimulating production and stabilizing commodity prices. "Exercising rigid control over prices of commodities would arouse complaints among peasants and relaxing control over the prices would also arouse complaints among the urban people." Last year, our municipality relaxed control over the purchase and selling prices of several major nonstaple foodstuffs and implemented the methods of free marketing and transactions, organizing production and sales of products according to market demand and price changes, and fixing the prices according to the quality of products. This important reform has directly stimulated production and circulation and played a very good role in promoting the implementation of the policy on "serving the city and making the peasants prosperous." However, we have come across many problems and the most prominent one is, after we have relaxed control over prices, what we should do in order to stimulate production, and guarantee a stable market and commodity price. At present, some commodities are allowed to be sold freely on markets by peasants or be wholesaled by individual traders, thus forming a situation in which individual

business units are competing with the state commercial units. Actually, such a situation is good. However, since the systems of the state commercial units fall short of what is required of the situation, the sources of some products are inadequate. Together with various heavy burdens and the lack of market competitiveness, the state commercial units, for a period of time, have had difficulties in stabilizing commodity prices during the off seasons and peak periods. This has caused the prices of some commodities to rise. Under the situation in which the market prices have fluctuated, the state has no choice but to continuously adopt the method of giving subsidies. Another problem is that the prices of some farm and sideline products such as eggs have dropped because of the upward trend in production. This has directly affected the enthusiasm of the producers. These situations show that once we have relaxed control over prices, it is very difficult for us to both fully display the role of prices as an economic lever, to stimulate production, to vitalize circulation, to better develop the commodity economy, and to realistically safeguard the interests of both the consumers and the producers and to manifest the planned commodity economy. But such a problem must be solved and it needs our efforts to study and find out the solution conscientiously.

Third, after further readjusting the rural production setup, the problem of "having no courage to readjust the production setup for fear of danger and risks and readjusting it in a blind manner" has emerged in some localities. Over the past few years, in line with the principle of "serving the city and making the peasant prosperous," the rural areas have readjusted the production setup in accordance with local conditions, and made a big stride forward last year. The total output value of the primary industry which has mainly focused on agriculture, dropped from 31 percent in 1984 to 28 percent. The output value of the secondary industry which has mainly focused on the processing of products and the tertiary industry which has mainly focused on the service trades has rose respectively from 69 percent to 73 percent. Among the five industries of agriculture, forestry, animal husbandry, sideline occupations, and fisheries, forestry, animal husbandry, sideline occupations, and fisheries developed rapidly and the proportion rose. The large-scale development in the readjustment of the production setup has set higher demands on linking up the urban and the rural areas and on coordinating them and has set forth new requirements for coordinating the development of the five industries in the rural areas. At present, due to an inadequate communications setup between the urban and the rural areas, comrades of some suburban counties have failed to clearly understand the needs of long-term development in the urban areas and have hesitated about what move to make in the course of defining the readjustment orientation and overall arrangements. Some have failed to consider serving the city as the readjustment orientation. They have sought quick success and instant benefit, paid attention to immediate interests, and acted blindly. Recently, many incidences occurred because of such blind actions, incurring serious economic loses. These situations show that the readjustment of production setup in the rural areas, particularly in the suburban counties in such a large municipality as Tianjin should be first considered in line with the needs of the urban areas and the overall situation of urban development. In order to make the urban areas consider the suburban counties and the rural areas as their own bases for development, the rural areas should take the needs of the urban areas as their own developmental direction, and consider the urban and the rural areas as an entity in the

course of studying their own status and role, and through linking up reforms in the urban and rural areas, achieve simultaneous progress in both the urban and the rural reforms and ensure a coordinated development in the urban and rural areas. Both the urban and the rural areas should fully study and clearly understand such a problem.

Fourth, after the improvement of rural productivity, the number of surplus laborers increased with each passing day. A success in organizing these surplus laborers would create great wealth, while a failure in finding a way out for these surplus laborers and in organizing them would turn them into a big burden. It is an inexorable trend and a manifestation of social development that some rural laborers do not engage in agricultural production. A great number of peasants have abandoned planting over the past few years. At present, nearly 900,000 people are engaging in processing and service industries, including developing township enterprises, accounting for 52 percent of the total rural laborers. In the future, following the continuous improvement of productive forces, such a trend will continue to develop. How to enable these laborers to have their own jobs and income and to play a greater role will be a major problem that we will face for a long period of time, and also a strategic issue that leading persons at all levels in both urban and rural areas, in particular those at the municipal level, should attach importance to and study.

Fifth, after the development of the rural commodity economy, circulation became a conspicuous problem. A success in solving this problem would stimulate the development of the commodity economy, while a failure in it would restrain or bring chaos to the developing of commodity economy. The commodity rate of our municipality's rural economy has reached 73 percent; specialized and key households engaging in commodity production have increased to more than 46,000; and the number of various economic associations has reached more than 7,000. Such multilayered commodity production calls on us to establish corresponding circulation systems and networks, and necessary circulation facilities and means. However, supply and marketing cooperatives, rural trade fairs, and urban markets of farm products are the major units which shoulder the task of rural commodity circulation. Both their scale, processing, storage and transport capacities, and other circulation facilities, and their purchasing and marketing operational measures can be far from satisfying rural demands. Because of this, many peasants had to embark on production, storage, transport, and marketing, and their difficulties became all the more conspicuous, hence an abnormal phenomenon in which some commodities which were in short supply in urban areas could not be sold easily in rural areas. Mature opinions on solving this problem is still lacking, but we can see that this problem lies not in the development of the rural commodity production but in the incoordination of the circulation between urban and rural areas.

Sixth, after strengthening macroeconomic control, township enterprises faced new tests. A success in handling these tests would help improve their economic results and strengthen their vitality, while a failure in it would bring setbacks and losses to them. Last year, our efforts in strengthening macroeconomic control achieved very good results in eliminating the unstable factors in the economy, and solving the problem of the general social demand

being larger than the general social supply. They also played a very successful role in preventing ill-considered development of the rural economy, in particular township enterprises, and promoting the improvement of operation and management. This year the macroeconomic control will be strengthened and improved continuously; investment in fixed assets will not increase and will even be reduced; and the funds, energy, and raw material supply will remain rather strained. Such a situation will affect township enterprises to varying degrees. In addition, the invigoration of urban industrial enterprises, and the readjustment of the taxes of township enterprises create new challenges to the development of township enterprises. There are two alternatives for township enterprises. The one is to rationally readjust their production setup and product mix in line with the new situation, shift their efforts from seeking higher output and output value to paying attention to management, technology, quality and economic results, increase their competitive edges, and achieve stable development. The other is to invest blindly and expand their scales in disregard of the changed situation, and fail to carry out normal production or have difficulties in continuing their production due to the restriction of various conditions, thus causing serious economic losses. We should pay attention to the latter.

Seventh, after further opening to the outside world, both agricultural and trade departments wanted to expand the exports of farm and sideline products, but their initiative has yet to be truly unified. With a port city in their back, suburban counties of our municipality possess superior conditions in geography, resources, economy and technology, and great potential for exports, and the enthusiasm of peasants is also very high. After a few years of development, foreign economic relations and trade of these countries have taken shape roughly. Judging from the overall situation, however, the development is not rapid enough, and their superior conditions have yet to be fully developed. Some peasants wanted to export more but are afraid of running risks. Some localities had abundant goods resources but had difficulties in exporting them. At times, there was a phenomenon in which "somebody would press for the supply of goods when it was slow, and would cut it down when it was excessive," thus dampening the enthusiasm of peasants, and adversely influencing the development of foreign trade in rural areas. The key problem to this is that the current foreign trade system does not suit well the characteristics of the rural export-oriented production, and fails to embody the principle of sharing the risks equally by both parts, and that agricultural and trade departments do not have stable and coordinated relations. Therefore, we should regard this problem as an important aspect of the connection between urban and rural reforms, and should study it.

Eighth, after peasants achieved an affluence through science instead of diligent labor as in the previous period, obstacles blocking the technology circulation between urban and rural areas became all the more salient. Peasants have a very vivid description: The driving force of the "first rocket"--contracts on a household basis--is drawing to an end, and in the future the "second rocket"--science and technology--should be relied on in stimulating agricultural development. Now peasants are adopting various measures to recruit talented people and purchase technologies through various channels. This would provide very favorable conditions for expanding the rural science and technology market, and strengthening urban-rural

technological exchanges. However, because of the problems in systems, which hinder the great number of scientific and technical personnel from going to the rural areas, and the scientific and technological findings from flowing to the rural areas, the rural areas cannot be supplied with sufficient science and technologies, and the scientific and technological forces in urban areas cannot be fully developed. Whether we can solve this problem has a great bearing on the future rural development. We should conduct conscientious study on such a task: Through reform of the current scientific and technological structure, how to make science and technology better suit the needs of the rural areas, and develop the rural economy toward specialized, commodity, and modernized production.

Ninth, reforms brought about improvement in the people's living standards, and also new demands on consumption, but we failed to conduct adequate study of and adapt ourselves to the changes in urban and rural consumption patterns. As far as the suburban counties are concerned, they not only demand more but also higher-grade manufactured goods. Like urban areas, rural areas have lost interest in the "old three pieces," are still enthusiastic about the "new three pieces," and begin to take an interest in the "three gold pieces" (rings, earrings, and necklaces), and a tendency of urbanization of rural life has appeared. Judging from the current situation, however, our supply of manufactured goods falls far short of the demands of rural markets, and many problems still exist in wholesale, marketing, and other links. For example, among the manufactured goods delivered to the rural areas, there is more unrefined goods and less refined goods, and more popular goods of average quality and less goods in short supply. This cannot satisfy the needs of peasants. Judging from the situation of urban areas, people demand more and more refined nonstaple foods, and lay more and more stress on nutrition. They look for lean meat, fresh eggs, live fish and tender vegetables, and begin to demand packed, intensively processed foods of various specifications. However, many people in the rural areas have not paid full attention to such a change in urban people's lives, and our circulation channels also fail to suit these characteristics. This means that production and distribution have not been carefully attended to, resulting in such a situation in which the rural areas fail to earn the money they should have, and the urban areas cannot eat the foods they want to eat; many fresh, tender and live commodities become spoiled, tough and dead commodities; and both producers and consumers have complaints. A breakthrough should be achieved in solving this problem through the connection between urban and rural reforms this year.

Tenth, along with the deep development of rural reform, the trend of peasants asking for service and cooperation has gradually become clear. After the rural areas successively carried out the management system reform and the purchasing and marketing system reform, each and every household has been allowed to form an economic entity or to become a relatively independent commodity producer and distributor. Unlike the natural economy, the commodity production demands increasingly elaborate division of labor and increasingly higher socialization. A household cannot deal with or handle well the affairs in many fields, and the commodity producers do not have time or energy to engage in other activities except for production. Thus, they should develop various forms of cooperation by asking the society to offer them the service before, during, and after production. But, the socialized service organizations and

mechanism cannot meet the demands of the current situation. This has greatly interferred with the development of various forms of specialized households. This problem will become more and more prominent along with the ceaseless development of the commodity economy. Under this situation, we must strengthen our studies in this regard, and simultaneously enhance our studies concerning the types, scales, and methods of cooperation. In short, through ceaselessly exploring ways and summing up experiences, we should correctly grasp the peasants' demands for the cooperative economy, and discover, support, and spread the types of cooperation which the vast number of the peasants ask for.

What I mentioned above is the new characteristics and problems cropping up in the course of linking the urban reform with the rural one. It is difficult to avoid the occurrence of these problems in the period when the old and new systems coexist and when the old is being replaced by the new. In order to ensure a smooth progress of the urban and rural reforms, we must pay attention to these new characteristics, and study the problems cropping up in the course of linking the urban reform with the rural one.

## 2. Enthusiastically Explore New Ways for Linking the Urban Reform With the Rural Reform

In the old society, the relations between the urban and rural areas were opposite to each other. Since the founding of the PRC when we established the new-type socialist relations between the urban and rural areas, greater development has been made in the worker-peasant alliance and the mutual cooperation between the urban and rural areas. However, the problems concerning policies and systems caused by the "leftist" influence interferred with the development of the commodity economy, and separated the urban economy from the rural economy. So, a dual structure was formed. At present when we link the urban reform with the rural one, many original forms and methods for linking the urban areas with the rural ones, including the people's thinking and habits, cannot meet the demands of the current situation. The objects to be linked have changed, so we should comparatively change the forms and methods for linking the urban areas with the rural ones. As this is an extremely complicated problem, we must spend a long period of time to change the forms and methods in a step-by-step manner. Therefore, in the course of practices, we should ceaselessly make explorations, timely sum up experiences, and make efforts to explore new ways for linking the urban areas with the rural ones which should suit the demands of the new situation of carrying out the urban and rural reforms.

First, we must have a clear understanding of the connections between the urban and rural reforms. Many problems exist concerning the ideological understanding. I am going to set forth three basic issues.

1. With regard to linking the urban reforms with the rural ones, we must foster an idea of commodity exchange. The basic orientation for the reform of the urban and rural economic systems is to develop a socialist planned commodity economy on the basis of carrying out the public ownership system. Thus, the way for linking the urban areas with the rural ones has changed from that of the urban areas giving free aids to the rural areas and the rural

areas allocating and transferring their products to the urban areas into one of the urban and rural areas exchanging commodities with each other. The urban areas should make efforts to make their industrial products more suitable to the demands of the rural areas, and the rural areas should strive to make their agricultural and sideline products more suitable to the demands of the urban areas. We should make efforts to develop the commodity exchanges with a view to attaining the goal that the urban and rural areas are closely related to each other, mutually cooperate, and coordinatedly develop.

2. In developing production, we should foster the viewpoint of catering to market needs. The production of commodities should be based on market needs and it should have a broad market. Without markets, it will be impossible for us to sell the commodities and to carry out reproduction. The basic purpose of our socialist commodity production is to try our very best to satisfy the increasingly growing needs of the people's material and cultural lives. Neglecting market needs and producing commodities blindly will not only make the commodities lose market and the value of usage, but will also make us unable to attain the purpose of satisfying the needs of the people. Our suburban counties and rural areas have very favorable conditions for developing commodity production because they are located near the large city and market of Tianjin. We should fully use these favorable conditions and rapidly develop the rural commodity economy. Meanwhile, the urban areas should also study ways to unceasingly improve the markets in the suburban counties in order to meet the needs of the rural production development and improvements in the people's livelihood.

3. In developing the rural economy, we should foster a viewpoint of an overall development. The three slogans put forward by the central authorities which state that "there will be no stability without agriculture, no prosperity without industry, and no vitality without commerce" are absolutely in conformity with the reality of our country and are the only way for developing socialist modernized agriculture with Chinese characteristics. Practice shows that the long-standing method of one-crop farming is unfavorable for development. We should organically combine the three slogans together, make them promote and supplement one another, and prevent them from opposing and rejecting one another. Our municipality's suburban counties and rural areas have their own advantages and good prospects for achieving comprehensive operation in the agricultural, industrial, and commercial sectors and in developing the primary, secondary, and tertiary industries in a coordinated manner. Recently, our state farms have run some agricultural, industrial, and commercial joint enterprises and the breakthroughs in comprehensive development have shown this point fully.

Second, we should study the policies on connecting urban reforms with rural reforms. The urban and rural reforms are related to a series of policy issues of which the key issue is the price issue, because it has a vital bearing on how to correctly handle the interests among the state, the collective, and the individuals, and the interests between the urban and the rural areas. In the course of studying the price issue, we should strive to achieve the following:

1. We should safeguard the interests of the producers. In urban reform, we should maintain stable prices and guard against exercising over-rigid control

over the prices of farm and sideline products or excessively forcing the prices down. Otherwise, it will make the peasants feel that they have no way of making profits and earning money, dampen the enthusiasm of the producers, hinder the development of the commodity economy, and finally bring difficulties to urban supplies.

2. We should safeguard the interests of the consumers. We should vitalize and give a free hand in rural reforms. However, we must also not absolutely ease control over the prices of farm and sideline products and excessively raise the prices of products. Otherwise, it will exceed the ability of the people in cities and towns, create a sagging market, and finally affect the development of the rural commodity economy.

3. We should give consideration to our financial ability. Through proper methods, we should ensure that the producers will not gain less and the consumers will not spend more. We should stabilize and enrich the markets and should not just rely on financial subsidies. Before reforming the prices, our municipal city's urban residents each received a monthly subsidy of 7.5 yuan. Such a sum reached more than 200 million yuan a year. The subsidies given to the rural areas and the commercial sector have not been basically reduced. The state has already given its best efforts. It is hard for the state financial department to give more subsidies. After the implementation of the financial contract system in our municipality in particular, the local financial department no longer has such a large financial strength. In addition, one of the important purposes of price reform is to give financial subsidies openly instead of covertly. If we increase the amount of open subsidies and fail to reduce the covert ones, we will return to the old beaten track and lose the meaning of reform.

Third, we should explore new ways to connect urban and rural reforms. The key is to unclog the circulation channel, and improve purchasing and marketing measures. In line with the guidelines of the central authorities, we should study ways to change the original circulation system of unified commodity purchase and supply according to administrative divisions and levels into an open, multichannel circulation system with fewer intermediate links, and establish a crisscross circulation network that extends in all directions of urban and rural areas. Based on our practice and experiences gained over the past few years, and the opinions that everyone gave at the specialized forums of this conference, a major method for successfully connecting urban and rural areas, and agricultural and commercial departments is the contract system. As a good method to link state plans with producers, the contract system can bring the peasants' production, purchasing, and marketing activities onto the track of a planned commodity economy, more successfully link peasants' production with market demands, give guidance to production, and stabilize supply. To be more specific, commercial departments should set forth the quantity, quality, variety, specifications, and time for the supply of vegetables, meat, poultry, eggs, and other major nonstaple foods in line with market demands. Based on the production capacity of the suburban counties, agricultural departments should set forth the supply tasks they can shoulder, conduct negotiations with commercial departments on the prices, and sign contracts with them for a guaranteed supply. If the supply cannot satisfy demands, commercial departments should be responsible for purchasing the

inadequate amount to ensure market supply. Contracts have legal effect and, once signed, should be strictly abided by all contracting parties. Those who violate the contracts should hold political and economic responsibilities. To establish links between urban and rural areas, and between agricultural and commercial departments, we should adopt more measures in addition to the contract system, and increase new channels. For example, we should develop various forms of associations, and establish, on a trial basis, some new-type commercial enterprises which link agriculture with industry, link agriculture with commerce, or link agriculture, industry, and commerce. By providing funds and technologies, urban commercial departments may cooperate with rural areas to experiment with running various types of nonstaple food production bases. Urban food industrial enterprises may also establish direct ties with rural raw material production areas, and enjoy direct supply of raw materials from production areas. Communications and transportation departments may cooperate with peasants to run joint transportation companies on a trial basis to transport farm and sideline products. Commercial departments should set aside some room in their cold storage, warehouse, motor pool, and other facilities, and gear them to the needs of society. Anyone who uses them should pay for them and fully develop their benefits.

Also for example, we should expand the direct supply of farm and sideline product by producers to marketing departments. Commodity producers may establish direct ties with urban consumption units and commercial retail departments, and supply them on a regular basis. Rural commercial departments may purchase scattered commodities, and supply them to urban consumption units and retail departments. Urban enterprises and units may purchase farm and sideline products directly from rural areas where they are produced.

For the third example, we should open up trade markets of various categories and various scales. We may build farm and sideline product markets, trade depots, and trade centers in places where urban and rural areas join and in large market towns in a planned manner. We may also open up more farm product markets in urban neighborhoods, and open the city door wide to provide conveniences for the marketing of farm and sideline products in the city.

At the same time, we should also fully perform the function of supply and marketing cooperatives in rural commodity circulation. Sixty percent of the purchasing volume of farm and sideline products of suburban counties and 70 percent of their commodity retail sales volume are operated by supply and marketing cooperatives. In the future, we should truly turn supply and marketing cooperatives into commercial units of the masses, and turn them from organs doing business alone into comprehensive service centers providing conveniences for the development of the rural commodity production.

Fourth, we should adopt various means which are favorable to connecting urban and rural reforms. Judging from the trend of development in the reform of the economic structure, we should change the direct control, which has mainly stressed administrative means, into an indirect control, which has mainly stressed economic means. That means that we should apply the policies on prices, tax revenue, credit, and distribution to regulating production and circulation and do a good job in linking the urban and rural areas. At present, the process of replacing the old systems with new ones is proceeding.

Since all economic means are far from being perfect and coordinated, relying mainly on economic means will not work. We should comprehensively apply ideological, administrative, economic, and legal means. The reason why we must stress the application of ideological means is that the fundamental purpose of reform is to build socialism with Chinese characteristics. Therefore, we should always adhere to the four basic principles; conduct education on "ideals, morality, culture, and discipline; enhance the thinking of the people;" and consciously subordinate the part to the whole and the immediate interests to the long-term interests in the course of handling the relations of profits in the economic sectors which have emerged in reform. The reason why we have stressed the application of administrative means is that the current system of indirect control is imperfect. Therefore, the administrative means must not be weakened. Even when the indirect control system will be improved in the future we will also adopt necessary administrative means to handle some major problems related to the national economy and the people's livelihood for what we are implementing is a planned commodity economy. The reason why we have stressed the application of legal means is that only by improving the various economic legislation can we protect legal operation, restrict illegal businesses, punish violators of laws, and ensure a coordinated and a sound development in the urban and rural economy.

Fifth, we should establish research organs for connecting the urban and rural reforms. Connecting urban and rural reforms is a new issue and a realm of necessity unknown to the people because many things have not yet been proven through practice. Therefore, it is necessary to establish a research organ for studying urban market needs; the rural production setup and scope; and the systems, policies, and forms of commodity exchange between the urban and rural areas, and to coordinate all fields of work well. In establishing such a research organ, we should regard the urban and the rural areas in Tianjin as an entity for research; proceed from the overall viewpoint of developing all of Tianjin; guard against treating and studying a problem with a one-sided viewpoint of the city or the rural areas; give dual consideration to the situations, needs, and interests of both the urban and the rural areas; and find a new road linking the urban and rural areas which can meet the needs of developing the urban and rural areas in a coordinated manner.

All in all, a good job in connecting the urban and rural reforms is not only a major practical problem but also a major theoretical problem. It is not only an immediate problem but also a long-term problem. We hope that all comrades will continue to explore and sum up experiences in the course of practice.

### 3. We Should Adhere to the Orientation of "Serving the City and Making the Peasants Prosperous"

I touched on the principle of "serving the city and making the peasants prosperous" at the rural work conference held in 1984 and on "the prosperity and changes in the rural areas" in 1985. In substance, I touched on how to better serve the city and make the peasants prosperous through reform. Today's speech is also aimed at upholding and implementing this principle. That means, under the new situation of deeply carrying out reform, we should

improve the work of serving the city and making the peasants prosperous through linking the urban and rural reforms.

Linking the urban and rural reforms and the principle of "serving the city and making the peasants prosperous" constitute a dialectical unity. Serving the city and making the peasants prosperous is the orientation, basis, and criterion for linking the urban and rural reforms. In other words, all urban and rural reforms should be subordinated to and serve this principle and should not neglect or even deviate from this principle. Furthermore, the principle of serving the city and making the peasants prosperous should be realized in the course of linking the urban and rural reforms and carrying out a whole range of reforms. The work of serving cities and making the peasants rich demands the cooperation between urban and rural areas as well as the connection between the urban and rural reforms. Only by so doing can the rural areas have an orientation and find good markets for commodity production, earn profits from it, and attain the goal of becoming rich. Only when the urban areas have reliable sources of foodstuffs provided by the rural areas, can the livelihood of the people in urban areas be stabilized, a social environment characterized by stability and unity be maintained, the smooth progress of reform be ensured, and urban economic development be promoted. The urban and rural reforms are mutually conditioned and promoted. Therefore, we must pay attention to the following few questions in the course of studying the ways for linking the urban and rural reforms.

First, in order to become rich, the rural areas must study ways on how to serve cities. Practices have proven that many rural areas have become rich through serving cities over the past few years. By serving cities, the rural areas should mainly make efforts to provide the cities with increasingly more agricultural and sideline products. Only when the rural areas have a profound understanding of the demands of the urban areas and have closer contacts with the urban areas, can they adapt to the new situation of urban reform, can development of rural commodity production be accelerated, the scale of commodity production be expanded, and the peasants become increasingly richer. Last year, the per capital income of the people in the rural areas of the municipality reached 601 yuan, an increase of 19.2 percent over the previous year. Why was the income of the people in the suburban counties of Tianjin Municipality much higher than the average income level of the nation's rural areas? One reason for this was that Tianjin's suburban counties, near big cities, aimed to serve these big cities. So far, the rural areas still fall far short of how they should serve the cities because of their failure to provide a wider range of services to the cities; some cities are not even being served by them at all. Cities with a great deal of money and people have a stronger purchasing power; in particular, their consumption structure is becoming increasingly more multifarious with each passing day. Their people have increasingly higher demands for expensive goods. Thus, they still have many problems concerning sources demand. All this clearly shows that the rural areas still have great potential to serve the cities. So, the broad masses of the cadres and people in rural areas should make efforts to study the issue concerning providing service in order to become rich and seeking prosperity in the course of service.

On vegetable supplies: We should strive to provide each person with .5 kg of fresh vegetables every day, strive for an ample supply of various fresh, tender vegetables in the off seasons, and avoid waste during peak periods.

On egg supplies: This year, we should strive to provide each person with 19 kg of eggs and strive for an ample supply of eggs; in particular, fresh eggs, in both off and peak seasons.

On meat supplies: This year, we should make efforts to increase the supplies of beef, mutton, and lean pork under the circumstances of satisfying the needs of the markets and strive for a general supply of lean pork within three years.

On fish supplies: This year, we should strive to provide each person with 13 kg of fish, strive for a supply of various live sea and freshwater fish, and strive for an increasing supply of good fish. We must certainly realize the fighting goal of "working hard in order to basically get rid of the people's difficulties in getting fish in three years" set forth by the municipal government last year.

While grasping the supply of the above-mentioned principal foodstuffs, we should also pay attention to grasping the production and supply of milk, melons, fruits, food, drinks, condiments, and processed food. This is what the cities have asked the rural areas to do for them, and should be regarded as a task assigned to the rural areas by the municipal CPC Committee and the municipal government. Simultaneously, the rural areas should regard it as a goal for seeking prosperity. The people on all fronts should make concerted efforts to ensure the realization of this goal.

Second, cities must study ways on how to support the rural areas in order to make progress. Through forming a good connection between the urban and rural reforms, the cities should help the suburban counties stand in the forefront of the four modernizations drive and support them to become rich ahead of others. This is a task assigned to the large and medium-sized cities by the central authorities as well as a condition of fundamental importance for urban development. In order to promote urban economic development, we should pay full attention to the vast rural areas, in which 80 percent of the total population of the entire country lives, and be geared to the needs of the vast domestic markets. If the rural commodity economy is not well developed and the peasants are not rich, the supply of industrial raw materials and the sales of products will be greatly restricted and a greater development will be hard to achieve. Since the suburban counties near the city are the nonstaple food supply bases of the urban areas, therefore, the improvements in the people's livelihood, the vitality of the urban markets, and even the excellent situation of stability and unity are greatly dependent on the situations of the suburban counties and the rural areas. The reform of the urban economic structure, in particular, needs an even greater and closer coordination with the rural areas. Last year, our municipality reformed the pricing system of nonstaple food. Thanks to the support of the rural areas and the efforts of the commercial departments, the markets and the commodity prices were kept basically stable, and a smooth progress in reform was guaranteed. This is very convincing proof.

The development of rural production and the wealthy livelihood of peasants depends on cooperation in urban support and reforms. If the urban areas give better support to the rural areas, the rural areas will develop more rapidly, and the conditions for the rural areas to serve the city will be more adequate. Therefore, supporting the rural areas also means supporting the urban areas. How should the urban areas support the rural areas? In short, we should manage things in accordance with the law governing the commodity economy and maintain the practice of mutual benefits and exchange of equal value. However, as a socialist city, it should help the rural areas develop and narrow the differences between the urban and rural areas, because this is its unshirkable duty. All trades and professions in the urban areas should enhance understanding and support the rural work in various fields.

The commercial departments should strive to display their functions in rendering services, vitalizing circulation, regulating markets and in joint development; provide services for the purchase of farm and sideline products, for the supply of the means of production and consumer goods, and throughout the production process; and realistically solve the current existing problem that "the people find purchase and sales difficult." We should conscientiously study the new situation which has emerged in the second step of reform in the rural areas, the new demands put forward in the course of readjusting the production setup, and the new changes in the consumption habits of peasants; appropriately reform the commercial operational system; foster a good commercial workstyle; and do a good job in supporting, helping, and promoting the commercial work in the new period.

The industrial department should develop and produce all kinds of commodities needed in the rural areas; pay special attention to gearing to the needs of the new operation methods and the production setup in the rural areas; provide small-sized, applicable, and inexpensive farm machinery, chemical fertilizer, and agricultural chemicals of good quality for the rural areas; and support them in developing diversified undertakings. In line with the readjustment of the urban industrial production setup, we should transfer some products to the countryside in a planned manner; gradually change the practice of simply transferring products to the rural areas into the practice of developing joint ventures, cooperative operation, and coordination among various trades and professions; and support the township enterprises to develop soundly. The factories and trades which use farm products as raw materials should provide services for the raw materials producing bases, give guidance in production, establish long-term raw materials bases, and use the technical advantages in the urban industrial sector to help township enterprises and improve their technical level in production.

The foreign trade departments should actively help the suburban counties establish some export bases for farm and sideline products, native products, and small commodities in order to expand the rural foreign trade and exports.

The scientific and technological departments should adhere to the principle of serving the rural economy with science and technology, cope with the new situation in the rural reforms, actively reform the scientific and technical systems, do a good job in transferring science and technology to the rural areas, implement the system of rendering technical services on a contract

basis, and improve the situation in which scientific research and production are dislocated. We should concentrate resources and time on helping the rural areas develop "technology which needs a short period of development and a not-too-large investment but yields quick results," and strengthen the technical popularization work on the forefront of agriculture.

In short, all trades and professions in the urban areas should support the rural areas. This is a necessity for achieving common prosperity and coordinated development in the urban and rural areas, and a major matter in closely combining the urban and rural areas and in strengthening the worker-peasant alliance. It is a matter of major economic and political significance.

Third, we must persistently seek common prosperity when some people are allowed to become rich ahead of others. Seeking common prosperity is one of the most important indicators of our upholding the socialist road. We must ultimately realize the common prosperity of the entire people by allowing some people and areas to become rich ahead of others and making the majority and not a minority of peasants rich. The equalitarian distribution method, such as "curbing the rich and supporting the poor," will necessarily lead to common poverty instead of bringing about common prosperity. Of course, as a socialist country, we must not look unconcerned when a small number of areas and peasants suffer from long-term poverty because of their failure to solve food and clothing problems. Although the peasants' income has steadily increased over the past few years through serving the cities, some poor households and villages still exist. Tianjin, as a big city, should feel compunction for its failure to solve a few peasants' food and clothing problems. We must solve these problems because they are not difficult to solve. We must make up our minds to achieve the work of supporting the poor to eliminate poverty, and regard it as the first of the 10 great matters for improving the livelihood of the rural people this year. In order to solve these problems, we must conscientiously study the causes of poverty instead of relying on temporary relief only. I think that one of the main causes of poverty is that their commodity economy is not flourishing and they have neither the opportunity nor conditions to serve the cities. Through forming a good connection between the urban and rural reforms, we should help the rural areas make the most of their advantages to develop a diversified and commodity economy. The rural areas should eliminate poverty by serving the cities, and then embark on the path of seeking prosperity. The rural areas are urged to eliminate poverty in a year and to become rich in three years. With regard to eliminating poverty, we should attach primary importance to solving the poor households' food and clothing problems. At present, the governments at all levels should make good arrangements for the Spring Festival, and ensure that every household will be able to have dumplings and meat on Spring Festival. With regard to seeking prosperity, we must ensure that the rural people have the resources for a comparatively fixed, increasing income on the basis of solving food and clothing problems.

Since supporting the poor is a common duty of the entire society, the rural areas should tap their potential, the cities should make contributions, and all trades and professions should make efforts. The municipal agricultural commission, counties, and townships should transfer a group of excellent

cadres to the poverty-stricken villages. We should help the rural areas build the grassroots party organizations and the grassroots apparatuses of political power, and help them train and enhance grassroots cadres so that the grassroots cadres will be able to shoulder the heavy task of leading the peasants in seeing prosperity. The municipal departments and commissions in charge of the economic work, and the departments in charge of the overall work, including financial departments, should place the work of supporting the poor on the main work agenda and enthusiastically work in cooperation with the agricultural commission to ensure the implementation of the plan for supporting the poor. A matter which we must pay special attention to is that, at present, the cities need many laborers to conduct urban construction and to promote a flourishing development of economic construction and the poverty-stricken areas have the favorable condition of abounding in laborers. Thus, from this year, arrangements should be made, according to plans, for the laborers in poor villages to engage in construction projects, such as repairing roads and building houses, so as to make them increase their income as soon as possible.

Comrades, we are in the age of reform. The big trend of reform will bring progress to the society and boundless energy and vitality to socialist undertakings. Today's achievements are the results of reform, and we must also rely on reform to make progress tomorrow. The only way for enlivening and developing the urban and rural areas is to persist in reform. Reform is never smooth sailing for all ages. Since the connection between the urban and rural reforms is an arduous, complicated engineering of social systems, it is possible to have more problems. Only when we carry forward the spirit of the Old Foolish Man, constantly maintain high political enthusiasm and the fighting will of going all out to make progress, bravely make explorations, explore to make advancement, and prudently treat sensitive problems, can we certainly achieve the connection between the urban and rural reforms and upgrade the work of serving the cities and making the peasants rich to a new level.

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ECONOMIC MANAGEMENT

ECONOMIC SITUATION OF SHANDONG INDUSTRIAL ENTERPRISES SURVEYED

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[Article by Liu Shoujie [0461 1343 2638], Sun Guangyuan [1327 0342 6678] and Xing Demao [6717 1795 5399], edited by Zong Han [1350 1383]: "Shandong Industrial Enterprises' Economic Situation"]

I. Basic Economic Situation of Shandong's Industrial Enterprises in Recent Years

[Text] Since the 3d Plenary Session of the 11th CPC Central Committee and under the leadership of the CPC Central Committee and the State Council, Shandong Province has implemented the policy of "readjustment, restructuring, consolidation and improvement" of the national economy and concentrated its sources in the solution of some long accumulated economic problems including that of a serious proportionate imbalance. It has done a great deal of work and achieved remarkable success in reforming the structure, applying flexible policies and invigorating the economy. After several years of readjustment, the proportionate relationships between agriculture, light industry and heavy industry have changed, and the phenomenon of excessive speed in the development of heavy industry, low speed in the development of light industry, and stagnation in agriculture has ended. Profound changes have also occurred in the ratio between accumulation and consumption, the economic results of the industrial enterprises have continued to improve, the province's revenues have continued to increase every year, and the national economy is now developing along a healthy path.

The best records since 1978 were set in 1983 for Shandong in industrial growth, and in the quality of products, the taxes paid and profits delivered, the number of days required for the turnover of funds, and the turning of losses into profits. Its total industrial output value reached 40.558 billion yuan, 106.4 percent of the planned target and a 10.43 percent increase over last year. Its revenues amounted to 5 billion yuan, 103.4 percent of the planned figure and a 9.6 percent increase over the previous year. The total industrial value of the local state-owned industrial enterprises increased 7.87 percent, the sales proceeds increased 8.25 percent, the profits realized increased 20.9 percent, and the total amount of profits delivered and taxes paid increased 7.83 percent. There was a synchronized increased in industrial

output, in profits and taxes, and in the revenues turned over to the state. In 1981-1983, the progressive increase rate was 7 percent for the total industrial output value, 9.8 percent for light industry and 3.9 percent for heavy industry each year, all higher than the 5.3 percent, 7.3 percent and 3 percent set for the province in the 5-Year Plan respectively.

On the whole, therefore, we can see that Shandong's industry has advanced and risen to higher standards in the past several years. Its present economic situation is very fine. However, there are also many problems mainly because of the poor economic results and the backwardness of its industrial enterprises, according to advanced national standards and compared with the fraternal provinces and cities. The problems are mainly as follows:

The property and quality of its products are poor. In 1982, the proportion of fine-quality industrial products was 12.35 percent for the whole country; 16.4 percent for Shanghai; and only 10.3 percent for Shandong. Even Shandong's fine-quality products could not measure up to the higher national standards. An analysis of 139 varieties of products of the first light industry departments in the province showed that 15.8 percent of them were of the 1970's vintage; 18 percent, of the 1960's vintage; and all the rest was before the 1960's, according to international standards. In a national new-product exhibition held in 1983, only 248, 3.3 percent, of the 7,104 exhibits belonged to Shandong. Let us take light and textile industries for example. In early 1983, a total of 373 varieties of Chinese pure-cotton fabrics were sold in Hong Kong, and only 16, 4.3 percent, of them belonged to Shandong. Among the 135 varieties of Chinese polyester/cotton fabrics with printed designs sold, only 11, 8.1 percent, of them belonged to Shandong. Only 1 percent of about 300,000 tons of white wine and 6 percent of the 360,000 tons of paper produced; and 0.27 percent of nearly 80 million porcelain wares exported by Shandong each year were of high grades.

The consumption of energy and raw materials has been reduced in the past several years, but the margin of reduction was not significant, the production costs were high and the losses were serious. In 1982, the average rate of production-cost reduction among the comparable items was 0.04 percent for the whole country, 1.6 percent for Shanghai; and 1.4 percent for Jiangsu. However, the product cost in Shandong was even raised by 0.57 percent. In 1982, for the production of one ton of ammonia, the consumption of coal, as raw material and fuel, was 1,458 kg in Shanghai, 1,594 kg in Zhejiang, 1,632 kg in Jiangsu, and 1,869 kg in Shandong; the consumption of electricity was 1,259 kws in Shanghai; 1,242 kwh in Zhejiang; 1,184 kwh in Jiangsu; and 1,368 kwh in Shandong. In 1982, 487 state-owned industrial enterprises, 24.2 percent of all enterprises that are included in the budget, incurred losses amounting to 251 million yuan, 13.3 percent of the realized profits; and the losses incurred by 397 of these enterprises, 81.5 percent of the total number, were attributed to poor management. The losses of 120 million yuan by these 397 enterprises accounted for 48 percent of the total losses. In 1983, Shandong did quite well in reducing losses. The proportion of losing enterprises was reduced by 54.1 percent, and the amount of losses, by 40.5 percent. However, it still lost about 150 million yuan and was one of the major losers in the country with a loss of more than 100 million yuan.

In 1982, as we can see from several comprehensive economic indices, the amount of profits and taxes generated per 100 yuan of output value among the industrial enterprises included in the budget was 21.65 yuan in Shandong, 31.2 yuan in Shanghai, and 20.1 yuan in Jiangsu; the amount of profits and taxes generated per 100 yuan of capital was 17.7 yuan in Shandong, 61.5 yuan in Shanghai; and 23.4 yuan in Jiangsu; the amount of output value generated per 100 yuan of fixed assets was 115.3 yuan in Shandong, 284.96 yuan in Shanghai and 161.3 yuan in Jiangsu; the time required for the turnover of funds was 103.5 days in Shandong, 58.3 days in Shanghai, and 90.7 days in Jiangsu; and the time required for the recovery of investment in fixed assets was 4.01 years in Shandong, 1.13 years in Shanghai and 3.06 years in Jiangsu.

## II. Preliminary Analysis of the Causes of Poor Economic Results in Industrial Enterprises

The factors hindering the improvement of the industrial enterprises' economic results are many, and the conditions are fairly complex. Both subjective and objective factors, microeconomic business operation, macroeconomic policy decisions, internal factors, external conditions and so forth can produce either direct or indirect effects. According to a survey on several areas and trades, the economic results of these industrial enterprises are mainly affected by their poor quality (such as their poor adaptability, their low capacity for heavy tasks, their inadequate power of assimilation, and their unsuitability for the new challenge) as well as certain incorrect policy decisions. A analysis of the latter problem in particular is presented as follows:

### 1. Irrational Planning for Industrial Distribution

In the course of production development during the past several years, meticulous planning and rational distribution were lacking in macroeconomic guidance, and the guideline stressing economic results was not distinctive enough. In setting up new units and increasing the productive capacity, greater emphasis was laid on "quantity"; and in dealing with the variety, quality and standards of products, not much attention was paid to the improvement of quality. Thus difficulties were experienced in the improvement of comprehensive economic results.

Some areas had a fairly solid industrial foundation and produced brand-name products; but their strong points were not taken advantage of. Five Shandong cities, namely, Qingdao, Jinan, Zibo, Yantai and Weifang, produced fairly strongly competitive goods with fairly good economic results for many of their enterprises, and the state revenues from these five cities accounted for more than 70 percent of the provincial total. However, these strong points were not fully utilized. According to the Sixth 5-Year Plan, for example, only one-third of the 619,000 spindles to be added were allocated to the three cities of Qingdao, Jinan and Weifang, and most of them were allocated to other counties and cities with a fairly weak industrial foundation. Thus some enterprises became backward immediately after its completion, and others were forced to suspend their operation because of their unmarketable products. Such an layout was responsible for the deterioration of the province's economic results.

Blind and duplicate construction was also fairly common. The development of sewing machine, bicycle and watch production began in 1975, and the scope of development at that time was set at "6, 8, and 10" (meaning 600,000 sewing machines, 800,000 bicycles and 1 million watches). In 1980, it was readjusted to "1, 2, and 3," (1 million sewing machines, 2 million bicycles and 3 million watches). Then in 1982, it was again readjusted to "2, 5, and 8" (2 million sewing machines, 5 million bicycles and 8 million watches.) The scope became larger and larger every year. Because the technical transformation of the old plants and the development of brand-name fine-quality products were left out in the planned layout; because each unit could "cook its own meal" financially; and because these three major products were looked upon as an inexhaustible source of income, the number of their production units continue to increase; more and more miscellaneous brands appeared; and the scale of capital construction continued to grow along with the technical measures. As a result, the productive capacity greatly exceeded what was originally planned and by the end of 1982, the investment accumulated to 309 million yuan. There were then 6 general bicycle assembly plants and 82 auxiliary plants with a total productive capacity for 2.5 million bicycles. For the production of sewing machines, there were 6 plants for the main machines and 30 plants for the accessories with a total productive capacity for 1.1 million sewing machines. For the production of watches, there were four watch plants and four supportive plants with a total productive capacity for 3 million watches. At present, the products of most sewing machine plants and some bicycle plants are not selling well and the economic results are poor. Of the six bicycle plants, five are incurring losses after paying taxes at the end of 1982. The losses totaled 42.06 million yuan. However, the Qingdao Bicycle Plant realized an annual average of 20.33 million yuan of profits and taxes in 1975-1982. Had the layout been planned for the technical transformation of Qingdao's Dajinlu so that its productive capacity could be expanded to 3 million bicycles a year, then its profits and taxes in 1 year may exceed 80 million yuan and the problem of losing more than 40 million yuan would not have arisen.

Instead of planning the layout for the promotion of brand-name fine-quality products, the construction programs for many products were overlapping. The province has now 354 paper mills, 23 beer breweries, 87 knitwear mills, 24 woollen textile mills, and more than 30 fiberboard plants. Many of these enterprises are incurring losses and some of them were closed down soon after going into operation.

## 2. Continued Expansion of Scope of Construction Due to Lack of Strict Control Over Fixed Asset Investment

In 1982, the province invested 4.767 billion yuan in fixed assets (including 1.92 billion yuan, 40 percent of the total amount, ear-marked for key projects of the central government), a 53.57 percent increase over 1978. There were 9,203—an increase of 2,611 over 1978--capital construction projects under construction and technical measures to be introduced. The total investment far exceeded the planned figure. To further complicate the situation, many more types of loans are now available, and authorization for the use of funds can come from many different quarters. For example, the

planning commissions, economic commissions, import and export commissions, finance departments, and departments in charge at all levels in addition to the People's Bank, the Construction Bank, the Agricultural Bank, the Bank of China, and many enterprises and establishments now have the power to approve projects. As a results, construction projects are becoming more and more numerous and the scope of construction is getting out of control.

Because of the "merging" of capital construction with the improvement of technical measures, the funds originally intended for technical measures are being used to start or expand projects, or for "capital construction of the second category." Thus many new factories have been built to produce run-of-the-mill goods with outdated equipment, and many unnecessary and overlapping projects have been started, while such projects as for light and textile industries of advanced standards, for energy and transportation, and for basic chemical industry, for which there is a real need, failed to make any headway. According to a rough estimate, approximately 20 percent of the total investment was used in duplicate construction, and in projects which cannot go into operation after completion, and which cannot produce the desired results after going into completion, all because of thoughtless planning for the layout. In the 4 years from 1979 to 1982, the province invested 5.57 billion yuan in various technical measures, and 60-70 percent of the amount was spent on extensive expanded reproduction. In textile industry, for example, 384,000 yarn spindles and 42,200 wool spindles were added and the dyeing-printing capacity was increased to 228 million meter in 3 years. However, technical transformation for the old enterprises was lagging behind, and even to date, the 170,000 fine-yarn spindles and 2,500 looms, all out-dated and left over from the days of the Japanese puppet government, have not been renovated in the province. There are also 180,000 square meters of dangerous buildings which have not been repaired. New technologies failed to make much progress. For example, design-printing with circular or horizontal screens, liquid ammonia processing, foam processing and brushed material processing are either just beginning or nonexistent.

The work of importing technology is making only slow progress. In 1982, only 24.1 percent of the province's share of foreign exchange was used on importing technology and equipment, while very little of the "short-term foreign exchange loans" of \$100 million a year extended by the Bank of China, and of more than 100 million yuan a year from the Construction Bank's loan quota was spent for the same purpose. Some of the imported projects failed to produce the desired economic results because of incorrect policy decisions. For example, the Qingdao No 5 National Cotton Mill spent \$8.8 million in importing a complete set of advanced spinning equipment including 20,000 spindles. However, since the looms are still of the old Toyota type with narrow width, it had to buy foreign yarns. With an annual profit of only 3 million yuan, it had to pay more than 4 million yuan of interest each year on the import loans. It was practically impossible for this mill to redeem its loan.

The investment returns are poor. In 1982, 73.6 percent of the fixed assets were handed over for use in the province. For each 1 yuan increase in the national income, the investment in capital construction required was 1.09 yuan during the First 5-Year Plan, 1.39 yuan during the Fifth 5-Year Plan, and 1.95

yuan during 1982. At present, the original value of fixed assets in the textile trade and the productive capacity of its cotton yarn spindles rank fourth in the country; but its profits rank eighth, and its profit and tax rates in terms of output value and capital funds rank 11th and 10th respectively. In 1982, the original value of the fixed assets of the first light industry in the province was 2,114 million yuan, a 74 percent increase over 1978, but its production increased 45.9 percent and its profits and taxes increased 51.8 percent. In 1982, its circulating funds ranked first, the original value of its fixed assets ranked second, its output value and sales proceeds rank third, its profits ranked fifth, its profits generated per 100 yuan of capital rank ninth, its profits generated per 100 yuan of output value ranked 12th, and the number of days required for the turnover of its fixed circulating funds ranked 14th in the country. In the same year, the second light industry's original value of fixed assets was 1.19 billion yuan, a 72.4 percent increase over 1978; but its output value increased only 5.8 percent, its profits dropped 21 percent, and its losses more than doubled.

Because of the large increase in loans, the problem of their redemption by the enterprises is now obvious. In the past several years, state allocations for capital construction and technical measures were reduced, and the enterprises had to turn to the banks for loans. At the end of 1982, the amount of loans to be used for investment in fixed assets totaled 1.916 billion yuan, including 367 million yuan for capital construction and 154 million yuan for technical measures. Therefore, there is now the problem of loan redemption. If the redemption takes five yearly installments, the enterprises has to repay 383 million in addition to nearly 100 yuan of interest each year. Thus the enterprises having received loans in the province must increase their profits by 500 million yuan each year in order to redeem these loans. This is certainly no simple matter. Furthermore, the redemption of loans affects the enterprises' profit delivery and is one of the important causes of the reduced proportion of profits to be delivered to the state. In 1978, the state-owned industrial enterprises included in the budget delivered 76.2 percent of the profits they realized; in 1983, the profits delivered dropped down to 55.1 percent.

### 3. System of Planned Management Inconsistent with Current Economic Development

Most of our planning is now carried out with the "level" method mainly based on the growth speed, but without overall balancing, or unity between planning for production, or planning for economic results. If we are only concerned with production plans and neglect financial plans, our efforts in production will not be coordinated with our efforts to increase revenues.

In planning, the principle of "choosing the good ones and discarding the backward ones" is not upheld. Some plans are only concerned with the "feeding of some people" with little thought for economic results. Because of the shortage of energy and raw materials as a result of improper planning, some advanced enterprises are unable to bring into play their productive potential, while some backward enterprises, consuming huge amounts of energy and raw materials, cannot meet social needs. If this situation is not changed, it will be very difficult for the entire industry to further improve its economic results or to accelerate its production development. For example, the

products of five out of the six sewing machine plants in the province are not selling well, and some enterprises producing pure cotton fabrics are seriously over-stocked. Through the survey, we have come to understand that wherever the principle of choosing the good ones is upheld, there are fairly good economic results. In the electric power industry, for example, an enterprise was chosen according to the principle of "choosing the good ones" to be organized. The unified management of the power grid was strengthened, and economic means were used for regulation. Then by minimizing or eliminating the use of the low-voltage and low-efficiency generating units of high energy consumption and making more use of the high-voltage and high-efficiency generating units, this enterprise was able to reduce its consumption and improve its economic results year after year. It is now one of the few enterprises with remarkably improved economic results in the entire national economic system. In supplying electricity, its coal consumption in the first 9 months of 1983 was down to 403 grams/khw, a decrease of 5 grams below the same period of the previous year with a saving of 70,000 tons of standard coal. It realized a profit of 297 million yuan, a 20.5 percent increase over the previous year, based on comparable data. In metallurgic industry, the limited energy resources were allocated to the key enterprises, and some small plants were either closed or suspended. Both the variety and quality of products are now of higher standards and the economic results have markedly improved. In 1983, compared with 1980, according to an estimate, coke consumption was reduced by 86,000 tons, steel output was increased 5.31 percent, and the profits realized amounted to 130 million yuan, a 60 percent increase over 1980 on the basis of comparable data. In the production of small nitrogenous fertilizer, 38 backward plants were closed, suspended, merged or retooled for other lines of products because of their high consumption and heavy losses. Consumption has continued to drop and profits increased. The losses incurred for more than 10 consecutive years were then ended. In 1982, a profit of 15.3 million yuan was realized, and in the first 9 months of 1983, coal and electricity consumption per ton of ammonia was reduced by 124 kg and 63 kwh respectively below the same period of the previous year, and the profits realized amounted to 43,137,000 yuan, a 2.3-fold increase.

The plans are divorced from reality, lacking in foresight, and incapable of commanding strict compliance. What are mandatory plans? What are guiding plans? What is market regulation and how can the principle of the leading role of the planned economy and the supplementary role of market regulation be embodied in the work of planning? People cannot reach a common understanding because of the rather vague differences between them. Thus neither centralization nor decentralization and neither control nor decontrol can be effective whenever deemed necessary. The plans are "bookish" in nature and can neither serve as guidelines nor command strict compliance in economic construction. The plans for coal production are mandatory plans. In 1982, the planned output of state-owned mines decided by the state was 1 million tons short of the amount of planned distribution. If the enterprises had not stocked up a sufficient quantity to make up this shortfall, it would be difficult for it to comply with this plan. That was why the coal mines accepted only the production plan but not the distribution plan. What deserves even more careful study is that since the plans for distribution and transfer was originally intended to serve as a "hard" criterion, they should

be the basis of appraisal for rewards and punishments. However, the higher authorities ruled that rewards must be given for the completion of the production plan, and as a result, the system of rewards and punishments failed in its role of incentive for the fulfillment of distribution and transfer plans, and led to difficulties in various quarters. Textile products are subject to mandatory plans. As soon as there is any change in prices, however, mandatory plans could no longer play its role. In 1983, the planned output of pure cotton fabrics was 1.2 billion meters, and the procurement plan called for only 562 million meters while only 413 million meters were actually procured. Thus production and marketing became seriously dislocated. The food trade enjoys priority in development. The development plan, however, only set the output target, but did not ensure the supply of grain and edible oil required for such development because of the effects and restrictions of the "contract" system. Many areas have complained that since the supply of grain and edible oil is less than half of the planned quantities, they were compelled to buy the rest at negotiated prices and to take the losses.

The lack of coordination between the production plan and the supply plan and the wide gap between them have brought serious difficulties to the enterprises in the improvement of their economic results. In 1982, the shortfalls in the supply of the major items required for the tasks planned by the provincial authorities were as follows: more than 4.5 million tons of coal, 18 percent short; more than 300,000 tons of fuel, 40 percent short; 3 billion kwh of electricity, 13 percent short; 350,000 cubic meters of timber, 31.5 percent short; 300,000 tons of rolled steel, 25 percent short; 150,000 tons of pig iron, 48 percent short; and 75,000 tons of soda ash, 43.8 percent short. To ensure the fulfillment of state plans, the provinces, regions, departments and enterprises had to spend a great deal of energy in seeking cooperation and buying raw materials and fuel at negotiated prices, besides using their own foreign exchange to import some timber and steel. The prices of these raw materials, which were mostly higher than the prices of the materials distributed by the state, directly raised the production costs and reduced the enterprises economic gains. According to a rough estimate, the price disparity for imported timber and steel, the higher prices for fuel and the negotiated price for coal (including transportation charges) involved an additional expenditure of some 300 million yuan--more than 2 percent of the total production cost--over and above what would be required if the materials to be supplied as planned were available. Coal, for example, has to be brought in from Shanxi, Nei Monggol, and Henan in quantities of more than 1.4 million tons every year through unplanned cooperation, and costs 70-80 million yuans more than the coal supplied according to plan (charged mainly for the transportation). In 1980-1982, the industry and transportation sector of Qingdao city used 280,000 tons of high-price fuel oil and 620,000 tons of coal purchased at negotiated prices--which accounted for 49 percent and 15 percent of its oil and coal consumption in 3 years-- and increased its expenditures by 13.3 million yuan.

The enterprises are now commonly over-staffed mainly because of the placement program for unemployed youths and the accommodation for many persons sent by the state with political assignments. Thus the system of fixed number of employees and fixed quotas of work cannot be easily enforced. According to the survey, the industrial enterprises generally have 10-20 percent of surplus

personnel and some enterprises have as high as 30 percent of them. Based on a 10 percent calculation, there are more than 180,000 surplus personnel in the state-owned industrial enterprises and their wages amount to 154 million yuan a year.

#### 4. Uncoordinated Relationship Between Industry and Commerce

Speaking of the relationship between industry and commerce, industry would raise the question of the function of commerce in serving industry, while commerce would retort with the question of the purpose of industrial production. In fact, both industrial production and commercial operation do not suit the changes in market conditions or meet the requirements of the development of a commodity economy. Both industry and commerce are now confronted with a new task and the problem of opening a new prospect. From the survey, we have learned that the following three major problems exist in the relationship between industry and commerce. First, because of price adjustments and the changes in supply and demand, the plans for production and marketing have become uncoordinated. The signing of contracts between them is always delayed, and even signed contracts are not binding. Thus plans and contracts have lost their effects in varying degrees. In 1983, the Weifang No 2 Printing and Dyeing Plant planned for a profit of 3 million yuan. When the state lowered the price of polyester/cotton fabrics and raised the price of pure cotton fabrics, the plant had to sell more of its own products in order to fulfill its profit plan. In the first 9 months, 93 percent of the products were sold by the plant itself. Second, there is some contradiction between the procurement by commerce and the disposal of its own goods by industry. This contradiction is brought about by the proportion of products sold by industry itself which affects the proportion of procurement by commerce. Whenever some products are selling well on the market, commerce would like to procure more or all of them, while industry would like to deliver less and keep more to be sold by itself. On the other hand, whenever there is an excess of supply over demand for some goods, commerce would procure less or even refuse to procure any of them on the grounds that the varieties are not suitable for the market. To maintain its production, industry would sell these goods at cut prices, while commerce, making use of its "good opportunities" and the many channels open to it, would bring in goods from other provinces. The conflicts between industry and commerce affects the marketing of products. Third, the commercial sector is "afraid of overstocking but not of running out of stock," and cannot play the role of "reservoirs." The Jinan Department Store, for example, has made this calculation: If its sales volume is increased by 5 million yuan a year, it can increase its profits by only 60,000 yuan; if the value of its goods in stock can be reduced by 5 million yuan, the interests on its loans can be reduced by 340,000 yuan. In 1983, therefore, it took the unilateral action of reducing its inventory and by the end of September, compared with the same period of the previous year, the value of its goods inventory was reduced by 6.16 million yuan, a 28.2 percent reduction. Thus some commodities were out of stock, the sales volume dropped, and only 48.59 million yuan's worth of goods, a 16.5 percent reduction, were sold. These are the experiences in not only commerce, but also in industry. The contradiction between them is always manifested in the question of supply and demand, or, in fact, the question of distribution of interests. Whenever any product is unprofitable, industry would be unwilling

to produce it, and commerce would be unwilling to deal in it. There are always mutual wrangles and accusations between them. This problem, if not solved, will directly affect the development of production, the prosperity of the market and the improvement of economic results.

#### 4. Excessive Social Burden for Enterprises from Increased Spending in Policy Implementation

The survey has given us the impression that the increased spending in the implementation of certain policies has increased the social burden of enterprises and [15 characters illegible] economic results. According to an analysis of the final accounts of all the industrial enterprises in the province, the realization of profits has been affected, [13 characters illegible] by the increased spending in the implementation of certain policies. For example, the cut prices of industrial products involving a decrease of 90 million yuan, the raised bank interest rates [10 characters illegible] 33.5 million yuan of special taxes, the increase of 24 million yuan for coal chute charges, 30 million yuan for coal mine exploitation in the province, [7 characters illegible] 34 million yuan for and so forth, accounted for 270 million yuan a year. Second, the number of workers and staff members in enterprises has increased. There are 1,446,000 employees for the state-owned industrial enterprises included in the budget, an increase of 50,000 over 1981, and the payroll had to be increased by 30 million yuan. The wages for retired personnel amounted to [4 characters illegible] yuan, an increase of 9 million yuan over 1981. These two items combined to account for an increase of 310 million yuan--19 percent of the profits or 2.6 percent of the total production cost--in the payrolls. Had these two factors been taken into consideration, the annual profits would reach 1,942 million yuan, a 15.6 percent increase over 1981, and surpassing the rate of output increase.

These are the factors with direct effects on the enterprises' net income and their delivered profits. In addition, the following can also affect profit delivery: First, the increase in loan redemptions. In 1982, the enterprises spent 212.46 million yuan on the redemption of various loans, an increase of 102.72 million yuan over 1981. Second, the increase in the enterprises' retained profits. In 1982, the profits retained by the enterprises amounted to 363.41 million yuan, an increase of 58.54 million yuan over 1981. The proportion of retained profits in the total profits rose from 18.18 percent in 1981 to 22.27 percent. These two factors reduced the delivered profits by 161.26 million yuan, 14.6 percent of the amount delivered in the previous year.

The enterprises now find it increasingly difficult to cope with the excessive social burden. According to statistics on 333 local state-owned enterprises in Jinan, Qingdao, Zaozhuang and Taian, the enterprises had to bear more than 48 types of social expenses, such as property insurance fees, handling fees for the People's Bank, environment protection fees, underground water resource fees, land requisition auxiliary fees, apportioned school expenses, apportioned road maintenance expenses, park construction expenses, sanatorium-bed fees, river dredging fees, police substation fees, apportioned neighborhood office expenses, street scavenging fees, and so forth. The list

seemed to be endless. In 1981 and 1982, the various apportioned expenses total 72,156,000 yuan. The state or the central departments in charge approved 11 of these expenses which totaled 32,033,000 yuan, 40 percent; the provincial authorities approved 2 of them, totaling 18.55 million yuan, 25.7 percent; and the agencies below the prefectoral and city levels were responsible for 3 of them, totaling 21,569,000 yuan, 29.9 percent of the total amount. Some of these expenses were justifiable, but most of them were not. According to the statistics of the same 333 enterprises, these expenses in 1981 totaled 29,908,000 yuan, 5.15 percent of the 580,814,000-yuan profits for the current year; and those in 1982 totaled 42,248,000 yuan, 8.71 percent of the 485,082-yuan profits for the current year. This problem is particularly keenly felt by those trades making low profits.

On the whole, the factors affecting the enterprises's economic results are many and complex. If we trace their causes, we will find that the most fundamental one is the incorrect guideline in economic construction. Under the influence of the "leftist" ideology, there has long been an impatience for quick success in economic construction, and people have the habit of striving for increase in output value and growth rate regardless of the economic results. They are only concerned with the ranks occupied by their output and output value in the country and the province, but pay little attention to their backwardness in the payment of taxes and delivery of profits. Output value and growth speed are usually the criteria for the assessment of an enterprise's performance, while its taxes, profits and accumulations are rarely considered. The entire structure of economic administration, the policies, systems and methods were formed step by step under this guideline. We may say that in theory and in practice, the prevalent idea now is that output value should be treated as the central goal. Since the leading comrades of the central authorities called for "focusing the entire economic work on the improvement of economic results," the question of economic results has begun to attract attention and certain success has been achieved. Therefore, we must continue to set right the guideline in economic construction, correctly handle the relationships between speed and result, between macroeconomic policy decisions and microeconomic business operation, and between objective conditions and subjective efforts in order to accelerate the reform of the economic structure and economic management and to work out and improve the economic and technical policies and measures. This is where the key to better economic results lies.

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CSO 4006/673

ECONOMIC MANAGEMENT

INTERNAL ECONOMIC COOPERATION MAKES HEADWAY

OW131744 Beijing XINHUA in English 1549 GMT 13 Mar 86

[Text] Beijing, 13 March (XINHUA)--Agreements on economic and technical cooperation signed between enterprises, regions and administrative departments in China totalled 35,000 in 1985--11 times the number in 1981, according to the State Economic Commission.

Sixty percent of them involved technology, 200 percent more than the previous year.

Raw materials exchanged under the agreements were worth 16 billion yuan, 500 percent as much as in 1981.

Last year's results brought the total agreements for the Sixth 5-Year Plan (1981-1985) to 70,000; and the whole value of exchanged materials to 34 billion yuan.

Developed since the economic reform started in 1979, the horizontal cooperation has yielded many instances of cooperation among urban enterprises and between urban and rural factories.

For example, the No 2 motor vehicle plant formed a joint company with more than 100 factories in 20 provinces and autonomous regions to manufacture 5-ton trucks.

Examples of regional economic cooperation, which was developed in line with geographical and historical conditions, includes the Shanghai Economic Zone, and the North China and Southwest China Joint Coordinating Committees.

Jiangsu Province, east China, got 33 percent of its coal supply, 25 percent of its steel and 40 percent of timber last year from such cooperation.

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CSO: 4020/252

ECONOMIC MANAGEMENT

OFFICIAL COMMENTS ON CONSOLIDATION OF ENTERPRISES

HK130648 Beijing CHINA DAILY in English 13 Mar 86 p 1

[By staff reporter Wang Gangyi]

[Text] A 4-year consolidation campaign among China's 430,000 enterprises has taken the country's economic management to a new level.

An official from the State Office for Consolidation of Enterprises told CHINA DAILY yesterday the 1982-85 drive had reinforced management by introducing new technical standards and specification methods, establishing information centres and adopting a new labour quota system.

By the end of last year, the official said, China had established technical standards for more than 7,500 products, 120 percent up on 1981. Twenty percent of them reach internationally recognized levels, he added.

The official said product specification standards had been improved. During the drive, 4,933 enterprises met the state requirements, 78 percent reaching the first-class level.

Increasing attention had been attached to the collection and analysis of information in recent years by managers who had become more market-minded, the official said.

According to a sample survey in 10 provinces and cities, 30 to 50 percent of enterprises have established data collection and analysis centres. Many factories are using information feedback to guide their production.

During the 4 years 236 enterprises adopted 18 modern management methods, including use of computers and changes to management structure, on a trial basis and gained satisfactory results.

At the same time, the official said, the enterprises' previous overmanning had been trimmed to more desirable levels.

From 1982 to 1985, he said, 3 million workers were phased out of industrial enterprises and entered various service trades.

The nationwide campaign, according to the official, had resulted in better economic performance from enterprises.

The total national industrial output value in the first 11 months of last year was 47.5 percent higher than in the same period of 1981. Profits were up 38.1 percent.

In 1981, the official said, 12,598 enterprises were running at a loss. Last year, the number was 4,178.

Achievements had been made in the training of workers and staff, the official said.

From 1982 to 1985, some 36 million young workers received general or technical training. From 1983 to 1985, 2.1 million college and technical school graduates entered industry, significantly raising the educational level of the work force.

On-the-job training of managers has been greatly stepped up in recent years with the establishment of 92 economic management institutes and 9 training centres.

The official said that starting from this year, the consolidation of enterprises would enter a new stage.

To encourage modern management, technical innovation and higher economic efficiency, the state is to adopt a grading system.

All enterprises will be judged against three grades to be set out by the central government, he said. Specific standards and regulations are still in the making.

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ECONOMIC MANAGEMENT

HUNAN RADIO COMMENTARY ON IMPROVING MANAGEMENT

HK010933 Changsha Hunan Provincial Service in Mandarin 2300 GMT 27 Feb 86

[Station commentary: "It is necessary to improve management and score achievements in management"]

[Text] At the provincial conference on economic work, strengthening enterprise management was put in a very conspicuous position, based on the current state of enterprises throughout the province. The problem was presented fully and in a timely fashion.

When we stress technology, we can produce benefits quickly. When we stress management, we can produce benefits more quickly. However, some comrades don't share this view. Some comrades believe that after enterprises have been consolidated for some 4 years, enterprise management has taken the right path and can remain at the status quo. Some comrades believe that stressing economic results and management does not produce benefits as quickly as improving technology does. Some other comrades are afraid it will be difficult to do well in enterprise management. They are content with the low-level management methods of traditional small-scale production and do not seriously study or vigorously adopt modernized management methods.

Many years of experience show that if this situation is not changed and management levels raised, we cannot have a high technological level, good quality products, or high production efficiency. Leaders at all levels, especially leaders of industrial management departments and enterprises, must fully see the importance and urgency of strengthening enterprise management. They must greatly enhance their understanding and really do well in enterprise management.

Judging from the present state of our enterprises, not only is our technology backward, but also our management. Therefore, our current primary tasks are to simultaneously carry out reform and do well in enterprise management with improvement of quality and reduction of consumption as the key points. We must truly implement the 10 articles and 14 articles issued, approved, and transmitted by the State Council on expanding the decisionmaking power of enterprise and the relevant documents formulated by the provincial government. We must strengthen the ability of our enterprises to transform and develop and really do well in enterprise management to suit the new outside environment and make our province's economy develop continuously, steadily, and in a coordinated way. We must contribute toward fulfillment of the province's quota of the gross industrial output value of 30 billion yuan.

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CSO: 4006/825

ECONOMIC MANAGEMENT

SHANXI RADIO COMMENTARY CALLS FOR DEEPENING OF REFORM

HK060503 Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 26 Feb 86

[Station commentary: "Carry Out Reform in Depth and Open Up Broader Prospects for Reform"]

[Excerpts] In 1985 our province made encouraging progress in the reform of its economic structure and the reform stimulated the development of its economy. To carry out the reform in depth and to do a good job of the 1986 economic work by taking reform as a stimulus so as to make a good beginning for the first year of the Seventh 5-Year Plan period, is an arduous and important task ahead of us.

To resolutely carry out reform in depth, on the one hand we must consolidate, execute and improve the reform measures we have adopted and we must make efforts to solve critical problems by means of reform. On the other hand, we must carry out serious investigation and study so as to make preparations for the further progress of reform.

The provincial committee work conference has proposed requirements for this year's economic growth of our province. To attain it, we must give first place to reform and take reform as a stimulus to promote work in various aspects. To carry out reform in depth, we must first work hard to give more vigor to large and medium-sized enterprises. In this connection, we must vigorously implement all reform principles and policies formulated by the party Central Committee, the State Council and the provincial CPC committee and people's government. Concerted efforts must be made to solve problems relating to policies which have arisen in the relevant departments, in the execution of the reform. In addition, we must proceed from actual conditions to adopt some concrete measures and methods so as to ensure the healthy execution of reform.

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ESO: 4006/825

ECONOMIC MANAGEMENT

SHAANXI RADIO COMMENTARY ON SPEED OF INCREASE

HK031054 Xian Shaanxi Provincial Service in Mandarin 2300 GMT 27 Feb 86

[Short commentary: "It is Necessary to Maintain a Proper Speed of Increase on the Basis of Stressing Economic Results"]

[Text] Under the guidance of the principle of reform, opening up, and invigoration, our province has developed its economy relatively greatly in recent years. This is a gratifying progress. Under such an excellent situation, we must affirm the achievements already scored and keep a clear head. In the speed of industrial development, we must avoid the tendency to disregard the objective conditions and to blindly concentrate on the output value and avoid blind complacency.

In the first 2 months of last year, our province did not fulfill its quotas for industrial production very well. The main reason was that some departments and units did not understand clearly enough what a proper speed of increase was. We must subordinate the speed of development to the premise of the state macroeconomic control. Moreover, we must pay attention to solving several problems well:

1. In considering speed, we cannot deviate from the general aim. Our province's economy now is slightly lower than the national average level. To realize the general aim of quadrupling the gross output value by the end of this century, the speed of our development cannot be lower than the national average speed.
2. In considering speed, we must proceed from the specific situation in Shaanxi. The foundation of our province's industry is poor but potential is great. As the foundation is poor, we must make a little quicker improvement. As potential is great, it is also likely we can make quicker improvements.
3. In considering speed, we must persist in regarding the raising of economic results as the focal point. So long as we have productive capacity, raw materials, and good sales, we must be given a free hand in developing the products whose quality can be guaranteed and whose economic results raised.

We believe that after the cadres, staff members, and workers on the economic front deepen their understanding, boldly carry out reform, bring forth new ideas, and forge ahead, they will surely fight well the first battle of the Seventh 5-Year Plan.

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CSO: 4006/825

ECONOMIC MANAGEMENT

BRIEFS

EXPANDED ECONOMIC LINKS URGED--Beijing, 16 March (XINHUA)--China will run inter-regional and inter-trade joint enterprises this year to expand economic links between cities and commodity producing areas. This was noted at a national conference attended by directors of commerce bureaus which ended here today. The meeting urged joint management between factories and retail or wholesale departments of commodity producing areas to accelerate commodity circulation. Cross-regional joint management between pig, poultry, egg, vegetable and fruit producers and markets, and cooperations between retail enterprises were also encouraged by the meeting. At today's closing session, the ministry of commerce urged all commercial departments across the country to do a better job to ensure further thriving and stability of the market this year. [Text]  
[Beijing XINHUA in English 1549 GMT 16 Mar 86 OW] /12232

MANAGER TRAINEES IN U.S.--Shanghai, 12 March (XINHUA)--Twenty-one trainees who have finished a Sino-U.S. training course here for senior managers will soon go on a field trip to the United States, according to an organizing official. They will practise what they have learned in local banks and trading companies for 6 months, the official said. The course was run by the Shanghai Institute of International Business and the State University of San Francisco. The 2-year course began in the autumn of 1984. The trainees, who are under 40, are mostly foreign trade officials and have college education. They were taught international investment and credit, American commercial law, market theory and strategic planning and policies by five American lecturers during the course. At present, more than 100 people are studying in similar training courses jointly run by Chinese and foreign higher learning institutions. In addition, more than 18,000 people in this leading industrial and business center of China's are studying enterprise management in colleges for adults. [Text]  
[Beijing XINHUA in English 1525 GMT 12 Mar 86 OW] /12232

GUANGDONG INVIGORATES MOUNTAINOUS AREAS--It is learned from the 19th session of the 6th Regional People's Congress Standing Committee that in 1985, the region's people's governments at various levels made achievements in developing the production and stimulating the economy of the mountainous areas. The region allocated over 30 million yuan in development funds to 48 countries for developing the planting industry, animal husbandry and processing industry. It also emphatically helped 211 towns whose economic situations were the worst in the region. In addition, it allocated 2 million yuan to the industry of processing agricultural, sideline, native products and specialities processing industries. [Summary] [Nanning Guangxi Regional Service in Mandarin 1100 GMT 26 Feb 86 HK] /12232

HEILONGJIANG LATERAL ECONOMIC COOPERATION--Our province has made new progress in carrying out lateral economic cooperation in 1985. A total of 2,026 enterprises, or 13 percent of the total in the province, economically cooperated with each other. Last year these enterprises signed 2,259 contracts on economic and technological cooperation, imported 590 million yuan in funds, and brought in about 2,000 talented persons from other places. Through expanding lateral economic and technological cooperation, last year these enterprises added more than 766 million yuan of output value and more than 125 million yuan in profits and taxes. Last year the province carried out various forms of economic and technological cooperation with over 300 prefectures, cities, and counties of 27 provinces, municipalities, and autonomous regions. Cooperating economically with other provinces, cities, and large enterprises, such as Dalian, Dandong, Anshan, the Ministry of Railways, and the Shoudu Iron and Steel Complex, the province exploited and intensively processed its natural resources, including coal, graphite, nonferrous metals, steel, iron, and marble. [Excerpts] [Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 5 Mar 86 SK] /12232

CSO: 4006/825

FINANCE AND BANKING

BANK OF CHINA LAUNCHES U.S. \$100 MILLION CD ISSUE

HK130813 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in English 13 Mar 86 p 1

[Text] The Bank of China [BOC] Hong Kong branch will raise U.S.\$100 million through the issue of a fixed rate 5-year certificate of deposit [CD].

Lead manager Citicorp International and China Development Finance (Hong Kong) launched the issue yesterday and obtained support from more than 20 banks to form a management group.

The coupon rate is set at 8 percent with interest paid half-yearly, which some bankers regard as somewhat tight in view of the current U.S. dollar market.

The BOC issue comes on the heels of a HK\$250 million 3-year CD issue by the Bank of Communications, a member of the BOC group, which will be signed on Tuesday.

Although it is the first time the BOC Hong Kong branch has tapped the U.S. dollar capital market, the bank's London branch successfully raised U.S.\$200 million in Europe last year through a 5-year floating rate CD issue. The bank has also frequently issued long-term yen bonds in Japan.

Bankers are not surprised to see more local BOC group members becoming active in the issue of CDs.

Banking sources said Nanyang Commercial Bank is understood to be interested in tapping the market, although no concrete plan is known as yet.

Some bankers said under current market conditions, where U.S. dollar interest rates have fallen so low people are not interested in buying bonds, the yield of BOC's latest CD does not look particularly attractive compared to similar issues.

"The pricing (of the BOC issue) is fair under normal market circumstances but is too fine for the moment," one banker said.

Following the reduction of the U.S. discount rate, the gap between U.S. domestic rates and Eurodollar rates has widened. Eurodollar bonds were trading yesterday at about 80-85 basis points over U.S. treasury bills. The BOC issue, bankers said, is yielding about 70 basis points over the U.S. treasury bills with equivalent maturity.

FINANCE AND BANKING

MINISTRY STIPULATES REPAYMENT OF 1981 TREASURY BONDS

OW131115 Beijing XINHUA Domestic Service in Chinese 0242 GMT 12 Mar 86

[Text] Beijing, 12 March (XINHUA)--Measures for repayment of the principal and interest of 1981 treasury bonds.

[Issued by] (the Ministry of Finance of the People's Republic of China)

[Dated] (27 February 1986)

1. The following measures are drawn up on the basis of Articles 4, 6, and 7 of the Regulations for the Issuance of Treasury Bonds of the People's Republic of China.

2. The principal of 1981 treasury bonds will be repaid on five occasions over a 5-year period, beginning from 1986 and ending in 1990. The drawing and announcement of the numbers of all the treasury bonds whose principal is to be repaid during the 5-year period will take place in Beijing on 14 March 1986. The numbers of bonds whose principal is to be repaid shall be announced again in each subsequent year. In any given year, bonds will have their principal repaid if the last two digits of their number correspond with that of the numbers announced for repayment of principal in that year.

3. Repayment of the bonds' principal and interest shall be handled by the People's Bank of China and other specialized banks. Without exception, all bonds shall have their principal repaid according to the numbers announced each year by the Ministry of Finance of the People's Republic of China.

4. Repayment of the bonds' principal will take place from 1 July through 30 September each year. To show consideration for the bond sponsors' interests, those who do not withdraw their bonds' principal when they can do so may do so during the corresponding period of the subsequent year. However, the withdrawal of the principal of all 1981 treasury bonds should be completed by 30 September 1990.

5. Without exception, each year when the principal of a treasury bond is repaid, the interest it earns shall be computed up to 30 June of that year. In case the principal is not withdrawn during the repayment period, it will continue to earn interest (simple interest), according to the original interest rates, until 30 June 1990.

6. The interest earned by a treasury bond shall be paid along with the principal in one lump sum.
7. The 1981 treasury bonds of 1,000-yuan, 10,000-yuan, and 100,000-yuan denominations, as well as the treasury bonds of a 10-yuan and 100-yuan denominations purchased by collective units, will not be repaid in cash.
8. The principal of damaged or soiled treasury bonds will be repaid according to the Measures for Handling the Payment of Damaged or Soiled Treasury Bonds jointly promulgated by the Ministry of Finance of the People's Republic of China, the People's Bank of China, the Industrial and Commercial Bank of China, and the Agricultural Bank of China.
9. These measures become effective on the date they are promulgated.

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CSO: 4060/823

FINANCE AND BANKING

AUDITING DEPARTMENTS UNCOVER QUESTIONABLE MONEY

OW170235 Beijing XINHUA Domestic Service in Chinese 0215 GMT 16 Mar 86

[Text] Beijing, 16 March (XINHUA)--Our country's auditing departments have further strengthened their economic supervision function. Last year, auditing departments at all levels audited a total of 66,200 units, uncovering questionable money totaling 10,217 million yuan. The number of units audited and the sum of questionable money uncovered registered an increase of 470 percent and 300 percent, respectively, over 1984.

Among the 2.82 billion yuan uncovered in 1985 through auditing that should have been turned over to the treasury, 1,776 million yuan has been turned over by now. Judging from the situations in various localities, the scope of auditing work is relatively greater. Eleven provinces and autonomous regions including Jiangxi, Shandong, Hubei, Guangdong, Henan, Hunan, Fujian, Jiangsu, Liaoning, Guangxi, and Sichuan have each turned over unlawful money totaling 50 million yuan or more to the treasury.

The State Auditing Administration maintains that violations of financial and economic discipline are still a very prominent problem today. Among the questionable money uncovered through auditing, 7,763 million yuan, or 76 percent, is involved in violations of discipline such as withholding and concealing profits, unjustified reduction of or additions to production costs and expenses, the unwarranted issuing of bonuses and allowances in cash or in kind, starting capital construction projects not covered by the plan, and evading or withholding taxes. To counter these problems, the State Auditing Administration has decided that the focus of this year's auditing work is to safeguard financial and economic discipline and to thoroughly investigate and sternly deal with all the big, major cases uncovered through auditing.

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CSO: 4006/823

FINANCE AND BANKING

NEW XIAMEN JOINT VENTURE BANK 60 PERCENT FOREIGN-OWNED

HK100545 Hong Kong SOUTH CHINA MORNING POST in English 10 Mar 86 p 10

[From "South China Beat" column by Ophelia Suen: "How the Xiamen Formed"]

[Text] With an authorized capital of HK\$800 million and an initial paid up capital of HK\$420 million, Xiamen International Bank (XIB) was jointly formed by three Chinese state-owned financial and economic institutions and a Hong Kong listed company, Panin Holdings Ltd.

Forty percent of the shares are Chinese with the foreign partner holding 60 percent.

Panin contributed its 60 percent partly in cash and partly by effectively transferring to the new joint-venture bank its two financial subsidiaries--Panin International Finance Corp (HK) Ltd (PIFC), and Luso International Banking (Macao) Ltd (LIB).

Both PIFC and LIB have become wholly owned subsidiaries of XIB. And PIFC has been renamed Xiamen International Finance Co Ltd.

Panin holdings was incorporated in 1980 with a registered capital of HK\$350 million and a paid up capital of HK\$243 million.

The Chinese shareholders are: Industrial and Commercial Bank of China (Fujian) (ICBC), which holds 15 percent; Fujian Investment and Enterprise Corporation (FIEC), which holds 15 percent, and the construction and development Corp of the Xiamen Special Economic Zone (CDCX), which holds 10 percent.

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CSO: 4020/253

FINANCE AND BANKING

INVESTMENT BANK USES APPRAISAL FOR INVESTMENT

HK150608 Beijing CHINA DAILY in English 15 Mar 86 p 2

[By Li Chao]

[Text] Over 80 projects have so far gone into operation with investment from the China Investment Bank [CIB] following the application of "project appraisal."

A CIB official told CHINA DAILY the projects would yield 200 million yuan worth of taxes and profits a year, some 70 percent of the total loans.

Investment amounts to \$47 million in foreign exchange and 90 million yuan, the official said. "Project appraisal methodology combines the merits of Western banking, as recommended by the World Bank, with our own realities. After 2 years trial practice, we have found the method beneficial not only in controlling investments in fixed assets, but also in improving economic results," he said.

A cotton textile mill in Yangzhou City, Jiangsu Province survived bankruptcy with the help of CIB, who invested \$800,000 and 3.9 million yuan in the mill in 1983 after careful study of the plant.

Following the introduction of foreign machinery and the renovation of old equipment, the mill increased its profits last year to 56 percent more than 2 years ago and earned \$5 million in foreign exchange. The appraisal predicts that the mill's profits will triple by the time the mill's production capacity reaches its peak at the end of 1986.

CIB's work has won praise from the World Bank. "China Investment Bank is already having a positive impact on China's industrial investment, by selecting generally good projects, and using improved project appraisal, the World Bank commented in a report.

Since its establishment in 1981, CIB has undertaken 207 loan projects with the emphasis on technical innovation in medium and small-sized enterprises.

CIB is specially designated by the government to handle construction funds and investments and credits from abroad.

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CSO: 4020/253

FINANCE AND BANKING

TABULAR ANALYSIS OF CREDIT COOPERATIVE DEPOSITS

Beijing NONGCUN JINRONG [RURAL FINANCE] in Chinese No 17, 1 Sep 85 p 45

[Text] Deposits in Credit Cooperatives, First Half of 1985

30 June 1985

Unit: 100 million yuan

Region	Total of various types of deposits	Compared with beginning of year		Compared with same period last year		Including:					
		Compared with beginning of year	Compared with same period last year	Total deposits of cooperative members	Compared with beginning of year	Compared with same period last year	Per capita savings	Compared with beginning of year	Per capita savings	Compared with beginning of year	Per capita savings
		±	±	±	±	year	±	year	±	year	±
National total	6,375,489	126,474	276,316	4,959,154	578,049	285,762	58.95	6.87			
Beijing	155,893	1,226	16,474	87,950	21,225	5,213	227.85	54.99			
Tianjin	69,222	1,188	7,073	50,033	8,649	1,050	136.33	23.57			
Hebei	562,389	30,930	10,515	453,906	46,430	10,755	96.00	8.82			
Shanxi	259,150	7,376	10,647	210,428	22,761	2,083	101.02	10.93			
Nei Mongol	75,829	-3,592	5,331	60,653	-2,048	4,360	42.68	-1.44			
Liaoning	291,223	-13,300	207	241,423	17,527	-4,806	107.30	7.84			
Jilin	130,031	-6,008	4,385	109,183	8,482	3,517	73.84	2.80			
Heilongjiang	118,042	-9,504	1,128	102,954	-1,477	-1,214	50.69	0.78			
Shanghai	124,929	-19,326	-3,003	82,259	22,592	1,819	183.61	60.12			
Jiangsu	492,348	-29,401	17,221	363,838	30,874	7,858	69.93	5.85			
Zhejiang	662,619	32,850	30,050	257,111	51,894	26,218	76.33	5.20			
Anhui	175,440	10,186	14,984	124,556	15,219	14,168	28.12	3.44			
Fujian	168,215	19,767	11,188	133,018	25,332	11,252	59.46	11.82			
Jiangxi	113,552	2,937	12,738	85,888	9,705	12,701	31.86	3.44			
Shandong	808,834	-53,950	6,416	668,213	17,826	23,348	98.94	2.64			
Henan	340,438	-16,778	-21,699	289,663	9,887	-8,617	42.49	1.46			
Hubei	187,036	-20,044	-2,021	145,935	-8,594	1,542	96.28	-2.13			
Hunan	211,856	21,663	23,276	163,690	31,633	21,938	83.90	6.55			

[continued]

Guangdong	825,703	148,639	85,544	694,502	167,290	97,927	139.57	83.52
Guangxi-Zhuang	113,263	23,121	23,520	90,752	21,577	18,809	27.48	6.53
Sichuan	360,964	15,403	16,691	256,725	43,806	24,367	29.81	5.00
Guizhou	43,602	986	3,332	28,028	3,502	3,190	10.95	1.83
Yunnan	106,082	8,841	5,064	59,884	8,216	8,889	20.28	2.78
Xizang		-10,147	-9,150		-2,247	-1,699		
Shaanxi	187,212	9,504	7,891	102,726	16,207	8,239	41.98	6.52
Gansu	64,732	5,042	-576	41,754	2,745	1,925	24.59	1.52
Qinghai	16,827	4,571	-1,520	5,563	-554	247	18.99	1.89
Ningxia-Hui	19,099	-677	+211	13,933	208	310	43.14	0.65
Xinjiang-Uygur	47,459	-10,655	821	31,080	-5,668	-2,622	84.08	-6.21
Taiwan Province								

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CSO: 4006/127

FINANCE AND BANKING

AGRICULTURAL LOANS UP 50 PERCENT IN FIRST 6 MONTHS OF 1985

Beijing JINGJI CANKAO [ECONOMIC INFORMATION] in Chinese 19 Aug 85 p 2

[Agricultural Bank's RURAL ECONOMIC INFORMATION: "Agricultural Bank's Deposits and Loans in First Half of 1985"]

[Text] In the first half of this year, the nation's agricultural banks at all levels, by implementing and fulfilling in earnest Central Committee Document No 1 (1985) and the spirit of the State Council directive in connection with intensification of macroadjustment and institution of control over the magnitude of loans, had laid a firm hold on the work of soliciting savings, amassing deposits, giving energetic support to spring farming and production, as well as procurement of agricultural and sideline products, and readjusting the structure of rural industries, simultaneously with the establishment of control over the size of loans. During this first half of the year, under conditions of the shortage of funds, spring farming and production as well as beyond-the-year procurement of agricultural and sideline products were provided with the funds they needed, with fruitful results achieved also in controlling the size of loans. As of the end of June, deposits of the various types in agricultural banks amounted to 70,706,000,000 yuan, down 3,297,000,000 yuan from the beginning of the year, a decrease of 10,176,000,000 yuan as compared with the corresponding period of last year; loans of the various types reached 143,364,000,000 yuan, down, 2,622,000,000 yuan from the beginning of the year, a decrease of 4,232,000,000 yuan as compared with the same period of last year (including loans for food grains, loans for the food system's procurement of agricultural and sideline products, and certain other factors that cannot be compared with last year); on balance, loans outweighed deposits by 675 million yuan, in net credits for the first half of the year.

Substantial, Sustained Growth of Savings Deposits in Rural Areas: In the first half of the year, agricultural banks at all levels, acting in line with the spirit of a meeting of branch managers held early in the year, made solicitation of savings deposits a task of paramount importance to be secured. Most banks by far had adopted the positive measures of starting savings business, establishing new special counters as well as stations and networks for savings deposits, and improving the quality of services, which brought about a big and sustained rise in savings deposits in rural areas, and which played a definite role in alleviating shortage of funds. In the first half of the year, savings deposits in agricultural banks reached 12,703,000,000 yuan, up

2,652,000,000 yuan over the beginning of the year, an increase of 2,079,000,000 yuan as compared with the same period of last year.

**Strengthening of Internal Management of Banks, Increase of Credit Cooperative Deposits in Banks:** The deposits of credit cooperatives in the banks amounted to a total of 26,498,000,000 yuan in the first half of the year, down 7,579,000,000 yuan from the same period of last year. Of this, deposits of a general nature in credit cooperatives dropped 2,947,000,000 yuan, as compared with the same period of last year. As a result of strengthening the internal management of agricultural banks, of placing stronger emphasis on the system of requiring credit cooperatives to put their deposit reserve fund into banks, and of stipulating that a proportion of 30 percent of deposits in credit cooperatives should be kept in banks, the deposit reserve fund of credit cooperatives put into the banks went up by 6.72 billion yuan by the end of June, an increase of 4,632,000,000 yuan over the same period of last year, which indicated that the proportion of deposit reserve fund to the combined total of deposits in credit cooperatives rose from 16.41 percent in the beginning of the year to 26.63 percent at the end of June. Included in this upsurge was a proportion of more than 29 percent in deposit reserve funds credit cooperatives put into banks in the provinces and municipalities of Beijing, Hebei, Shanxi, Shanghai, Tianjin, and Shandong. Turning in a proportion of less than 20 percent of deposit reserve fund were Yunnan, Jilin, and Jiangxi Provinces.

**Trends of Excessive Increases in Loans to Township and Town Enterprises Placed Under Control:** At the beginning of this year, when the governments in all areas were pinning their hopes of doubling agricultural output on development of township and town enterprises, there was a tremendous growth and rapid expansion of these enterprises in the various localities that magnified the need for more funds. Acting in compliance with the spirit of the State Council's "Emergency Circular on Draconian Control of the Magnitude of Loans to Township and Town Enterprises," the head office of the agricultural banks made definite achievements in drawing up plans for reduction of above-quota loans and in doing a lot of work on grassroots banks. By the end of June, loans to township and town enterprises totaled 17.42 billion yuan, up 1,653,000,000 yuan over the beginning of the year, yet down 1,242,000,000 yuan from April, the month when loans soared most rapidly in the first half of the year. Nationally, loans to these enterprises were kept within the limit of a planned increase of 2 billion yuan over the beginning of the year. However, there were still 14 provinces and autonomous regions that surpassed the planned targets of loans, including the provinces and municipalities of Shanghai, Hunan, Anhui, Liaoning, Jiangxi, Yunnan, Shaanxi, and Gansu, where loans exceeded planned targets by more than 10 million yuan.

**Banks' Release of Excessive Supporting Funds to Credit Cooperatives Held in Check Basically:** In the first 4 months of this year, banks began extending excessive supporting funds to credit cooperatives. For this reason, the head office of the banks issued a timely circular to rectify the situation. By the end of June, the supporting funds released by banks to credit cooperatives reached 5,719,000,000 yuan, an increase of 2,603,000,000 yuan over the

beginning of the year, yet a decrease of 310 million yuan from the same period last year. This was the same as April this year, when lending of supporting funds reached its peak.

**More Agricultural Loans Recalled and Released, Rates of Recalled Loans Increasing Continuously:** In order to secure supports for agricultural production under a prerequisite of rigidly controlling the magnitude of loans, the agricultural banks have adopted positive measures for stepping up the work of recalling overdue loans and for ensuring satisfaction of the needs of spring farming and production and beyond-the-year procurement of agricultural and sideline products. Agricultural loans released by agricultural banks in the first half of this year (not including loans released to village and town enterprises) amounted to a combined total of 14,843,000,000 yuan, representing a rise of 4,912,000,000 yuan above the corresponding period of last year, up 49.5 percent; agricultural loans recalled (not including loans recalled from township and town enterprises) reached a combined total of 9,316,000,000 yuan, indicating an increase of 4,755,000,000 yuan from loans recalled in the same period of last year, up 96.3 percent, showing a recalling rate of 62.76 percent, up 16.76 percent from the same period last year.

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CSO: 4006/127

FINANCE AND BANKING

BRIEFS

PRC TREASURY BOND REDEMPTION--Beijing, 15 March (XINHUA)--All newspapers in the Chinese capital today published the numbers of treasury bonds due to be redeemed at interest between 1986 and 1990. The bonds, worth a total of 4,665 million yuan, were sold in 1981. The numbers for each year were decided by a lottery organized in Beijing on Friday by the Ministry of Finance. They were published in an announcement signed by Wang Bingqian, state councillor and minister of finance. The repayment will be made from 1 July to 30 September every year by the bank of China and other specialized banks. More than 1,800 representatives of all walks of life in Beijing were present at the lottery.  
[Text] [Beijing XINHUA in English 0729 GMT 15 Mar 86 OW] /12232

CSO: 4020/253

MINERAL RESOURCES

PRECIOUS MINERALS FIRST DISCOVERED IN HEILONGJIANG

Harbin HEILONGJIANG RIBAO in Chinese 28 Dec 85 p 1

[Article by Wang Jiahua [3769 1367 5479]: "Four Precious Mineral Deposits Discovered in Heilongjiang for the First Time"]

[Text] This year Heilongjiang geological workers have for the first time in discovered deposits of ruby (and sapphire), sodium bentonite, pyrophyllite, and manganotantalite deposits, all being precious minerals. Up to now, 111 types of minerals have been discovered in this province (150 nationally).

Ruby and sapphire were discovered in Muling County. Ruby, the more precious of the two, is called the "king of precious gem stones," and had been discovered only in Hainan Island. On the international market, a carat of fine-quality ruby costs as much as \$14,000. The rubies (and sapphires) discovered in Heilongjiang are of different colors, including violet, rosy red, pink, light blue, and ocean blue. The body is crystal-clear and of irregular shape. The largest size is 1 carat. According to appraisal by the department concerned, the sapphires discovered this time are of the best types in the country with respect to its transparency, color and luster.

The sodium bentonite discovered in Nenjiang County is different from the usual calcium bentonite. It has the special characteristic of expanding to several times its original size and is indispensable for oil drilling and the ceramic and metallurgic industries. The pyrophyllite discovered in Dongning County has many uses. Besides being a refractory material, a ceramic material, and as an additive in the rubber and paper-making industries, the type that has a fine luster and gorgeous color can be made into arts and crafts articles having a strong artistic appeal. (The famous Shoushan stones and chicken-blood stones are in fact only made of pyrophyllite.) Finally, a manganotantalite mine was discovered in Hulin County for the first time by the first district prospecting team. This mineral contains a type of rare metal--tantalum. An analytic test has shown that some of the samples are already up to the industrial grades. Tantalum has the properties of superconductivity and single-pole conductivity, and is an important metal that is indispensable to the electronic industry and the development of space technology.

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MINERAL RESOURCES

NEW MINERAL DEPOSITS DISCOVERED IN XINJIANG

Urumqi XINJIANG RIBAO in Chinese 7 Jan 86 p 2

[Article by An Qiongwei [1344 8825 3837] and Song Jiangzhong: "New Glory to the Precious Soil of Xinjiang"]

[Text] The geology and mining administration bureau of Xinjiang has over-fulfilled its major work quotas for 1985, and made remarkable achievements in opening new geological markets for more geological work to be done.

In 1985, this bureau achieved a drilling footage of 115,000 meters, explored 42,000 cubic meters of trenches, sank 664 meters of shallow wells, conducted regional surveys over an area of 26,000 sq km on a 1:1 million scale; more than 9,300 sq km on a 1:200,000 scale; and 4,860 sq km on a 1:50,000 scale. A total of 31 mineral sites were newly discovered, including 16 large and medium mineral deposits (and water sources) ready for detailed surveys. There are such minerals as coal, copper, nickel, marble, asbestos, mirabilite, muscovite, cement rocks, clay, quartz, and diabase deposits in addition to water sources. Fifteen other sites that are worth further explorations have deposits of gold, graphite, pearlite, gypsum, kaolin and talc in addition to underground water.

This bureau has fulfilled all state plans for mineral deposits. The plan for copper deposits was fulfilled 140 percent; for nickel, 113 percent; for gold, 110 percent; for coal, 203 percent; and for cement clay, 455 percent. The amount of social funds absorbed was 3.3 times the planned figure, a 4.5-fold increase over 1984.

At the end of 1985, the leadership of this bureau held a meeting of experts to check on and evaluate the major achievements in geology. Based on the year-end evaluation and comparison, the meritorious units and personnel will be duly commended and rewarded.

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MINERAL RESOURCES

ANHUI'S GRATIFYING RESULTS OF GEOLOGICAL PROSPECTING

Hefei ANHUI RIBAO in Chinese 24 Dec 85 p 1

[Article by Xu Dongqin [6079 2639 0530] and Cheng Dehan [4453 1795 3352]: "Gratifying Results of Geological Prospecting in Anhui During Sixth 5-Year Plan"]

[Text] The Geology and Mining Administration Bureau of Anhui fulfilled the annual geological prospecting plan and over-fulfilled the task of increasing the mineral reserves set in the Sixth 5-Year Plan more than 1 month ahead of schedule. By now, the province has discovered nearly 90 type of minerals, and verified the deposits of 50 of them. Anhui has superior resources of coal, iron, copper, sulphur, vanadium and 13 other minerals which are among the top 10 the country. Its deposits of coal, iron and sulphur rank first in Eastern China.

During the Sixth 5-Year Plan period, the masses of workers and staff members in the geological system persistently kept up prospecting as their main concern and continued to work for greater economic and social benefits. In the past 5 years, the members of the geological prospecting teams discovered and verified more than 300 mine sites containing more than 24 types of minerals. More than 40 other sites of industrial significance have also been confirmed by surface data and drilling. These teams have submitted 319 geological reports of various types, including 32 reports on the large and medium-size mines. The output quotas set in the Sixth 5-Year Plan for the reserves of coal, iron, copper, sulphur, phosphate, lead, gold, bentonite, barites, fluospar, marble, porcelain clay, cement, limestone and four others were over-fulfilled one to three-fold. At the same time, the mineral reserves including zinc, hard gypsum, cement clay, and associated vanadium, molybdenum and silver and 13 others were verified, in addition to the reserves of wallastonite, sillimanite, zeolite, perlite, tungsten, and peat which were verified for the first time. Among the nonmetallic minerals discovered in the province for the first time were graphite, and heavy rare earths, which not only filled a gap, but also provided important clues to the discovery of new minerals in the future.

During the Sixth 5-Year Plan, the geological system in Anhui also stepped up their research in basic geology and in various aspects of hydrology, engineering geology, environment geology, and urban geology. Their research will provided rich basic geological data for construction planning in the province's national economy.

MINERAL RESOURCES

NEI MONGGOL GOLD OUTPUT QUOTA FULFILLED AHEAD OF SCHEDULE

Hohhot NEIMENGGU RIBAO in Chinese 24 Dec 85 p 1

[Article by Gao Wenxiu [7559 2429 0208]: "Nei Monggol's Annual Gold Output Quota Fulfilled Ahead of Schedule"]

[Text] By the end of November, Nei Monggol had already fulfilled its gold output quota ahead of schedule. The output also increased 6.3 percent over the same period last year.

This year, the masses of workers and staff members on the gold production front of the autonomous region made great efforts in tapping the potential of the existing gold mines and in transforming and expanding the projects so as to raise their technical standards and to prepare the way for continued production. In the current year, an amount of 7.62 million yuan was allocated for the technical transformation of the key gold mines and another 3.3 million yuan for the expansion of capital construction projects. These allocations have encouraged the gold mines to take the road of intensive development. The transformation of Vein No 35 of the Jinchang Gouliang Gold Mine is beginning to show its effects, and the gold output increased 21.9 percent over the same period last year. To streamline the relationships among the mines run by the state, the collectives and the broad masses, the Gold Company of the autonomous region and the administrative departments of the leagues, cities, banners and counties concerned have signed contracts under the production responsibility system which resulted in the harmonious, stable and healthy development of gold production.

While carrying on production, the workers and staff members on the gold production front are also collaborating with the departments concerned in stamping out gold smuggling and other illegal activities. Thanks to mass cooperation, 197 cases of gold smuggling were brought to light in Zhuoji County last October. More than 16,000 grams of gold was recovered and the amount of cash confiscated and fines imposed totaled more than 500,000 yuan.

9411  
CSO:4006/671

INDUSTRY

PRODUCTION OF MORE THAN 600 NEW TEXTILE MACHINES IN CHINA

Beijing JINGJI RIBAO in Chinese 23 Jan 86 p 2

[Article by Deng Zhongyuan [6772 0022 0337]: "More than 600 Types of New Textile Machines Produced in 5 Years"]

[Text] During the Sixth 5-year Plan, China has trial manufactured 672 new types of textile machines, of which 22 percent are up to or approach the advanced international standards, and 27 percent have filled a gap in China. The properties of the other products have also reduced the difference between our products and those of the international standards.

The complete set of equipment capable of an annual output of 50,000 tons of short polyester fibers is an extra large equipment of which there are only a few sets in the world. After 3 years of combined efforts from 12 provinces and municipalities and more than 4,000 collaborating units in the country, more than 200 knotty problems were solved, and the trial manufacture of this equipment was finally a success. The chemical fiber output in China is now much higher.

The design-printing machine with circular screens is one of the key devices in the printing and dyeing industry. For this device, we had to rely on imports in the past. After 3 years' effort, these home-produced machines have now approached advanced foreign standards of the same products. The successful trial manufacture of the post-finishing machine for bedsheets with a width of 2.8 meters, the tensionless dyeing and printing machine for knit goods with a width of 2.2 meters, and the equipment in complete sets for low bath ratio dyeing of bobbins, suitable for the production of many varieties in small lots, and with good energy conservation effects, has filled a gap in China.

The reeling cradle of fine-woolen yarn spindles is a key drawing accessory for increasing the evenness of spun woolen yarns. It has been trial manufactured in China and its property approaches that of well-known foreign brands. The Model 1511 and Model 1515 looms of the 1950's are now mostly used in China. After more than 30 reform measures, the defects have been reduced 50 percent and the consumption of materials reduced one-third. Their performances have markedly improved. This has been the greatest improvement in 30 years.

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CSO:4006/724

INDUSTRY

GIOV OF 15 CITIES TOPPED 10 BILLION YUAN

Beijing RENMIN RIBAO (OVERSEAS EDITION) in Chinese 19 Jan 86 p 1

[Text] The gross industrial output value [GIOV] of Nanjing, Dalian, Qingdao, Chengdu and Changzhou topped 10 billion yuan in 1985. By now, the number of cities with their industrial output value topping 10 billion yuan in the country has been increased to 15. This information was obtained by our correspondent from the responsible comrades of the five cities attending the national conference on economic work, and has been verified by the State Statistical Bureau.

The gross industrial output value of these five provinces (including that of rural industry) was as follows: Nanjing, 12.4 billion yuan; Dalian, 11.4 billion yuan; Qingdao, 11 billion yuan; Chengdu, 10.6 billion yuan; and Changzhou, 10.3 billion yuan.

Industrial production made good progress in these five provinces last year, and the increase rate for them all was above 15 percent. The prosperity was characterized by a simultaneous development of various sectors and various forms including the state sector, the collective sector, the individual sector, joint Chinese-foreign ventures, and urban and rural industries.

The organization of production with economic results as its goal has led to a fairly great improvement in industrial economic results among these five cities. Qingdao's industrial output value increased 19 percent, but its energy consumption in industry increased only 1.6 percent. In Nanjing and Changzhou, the state revenues increased more than 20 percent, and in Chengdu and Dalian, the increase in profits, taxes and state revenues was more than in the output value.

Before 1985, as we understand, the industrial output value of only Shanghai, Beijing, Tianjin, Shenyang, Wuhan, Guangzhou, Chongqing, Hangzhou, Wuxi and Suzhou was more than 10 billion yuan. Last year, these 10 cities continued their steady industrial growth on the basis of improved economic results. According to calculation, the industrial output value of the 15 cities, each topping 10 billion yuan, accounted for one-third of the gross national industrial output value.

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CSO: 4006/724

INDUSTRY

NUMERICALLY CONTROLLED MILLER SUCCESSFULLY MANUFACTURED

Beijing JINGJI RIBAO in Chinese 29 Jan 86 p 2

[Article by Qing You [7230 2589]: "Numerically controlled Millers up to the Standards of the 1980's Successfully Manufactured in China"]

[Text] Two types of advanced numerically controlled machine tools to be used in the design and manufacture of aircraft parts, namely, the three-coordinate numerically controlled miller and the five-coordinate numerically controlled miller, were successfully manufactured by the aeronautic technological research institute of the Ministry of Astronautics not long ago.

With the aid of electronic computers in design, these numerically controlled millers, which are up to the standards of the 1980's, can help shorten the trial manufacture period of airplanes with very remarkable economic results. As we understand, when the five-coordinate numerically controlled miller manufactured by this institute was used to process a new type of aircraft part of the Shenyang Aircraft Plant, the trial manufacture period was reduced by 6 months with a saving of 122 steps and 2 million yuan. The machine tools of this kind, formerly produced in small quantities, were only up to the international standards of the 1960's in terms of technology and performance. They were inadequate for our requirements, and only a few countries in the world could produce them. To reduce the gap between the Chinese and the international standards in the technology of designing and manufacturing aircraft, the problem of modernizing the production equipment was in urgent need of solution. On the basis of full investigation and appraisal, this research institute studied the similar equipment of other countries, and then supplied reliable data for the trial manufacture of prototype airplanes.

On the question of importing advanced equipment from abroad, this institute was of the opinion that the basic way to reduce the gap was to raise our own standards, since sole reliance on the purchase of equipment would still fail to accomplish this purpose. The main goal of importing technology should be to strengthen our self reliance. Therefore, the institute made full use its technical resources in the comprehensive and in-depth analysis and assimilation of the advanced foreign technology from the time when it first assembled the parts imported as bulk cargoes, and then replaced them with more and more domestically produced components and raw materials. Through the efforts in various quarters, it was able to begin the manufacture of its own

prototype airplane and the small-scale production of components and raw materials in only 4 years. At present, 30 out of the 48 parts in the machine tool are produced in China. A total of 139 types of materials and 150 sets of components, 70 percent of the grand total of materials and components, are now being used. The numerically controlled machine tools made of domestically-produced components and raw materials are up to the standards of similar numerically controlled machine tools of foreign countries, and the computer technology has reached the standards of the early 1980's. This not only marks a new development of China's technology in the manufacture of machine tools, but also reduces the time-lag between China and the foreign countries in the technology of manufacturing advanced products by more than 10 years. Because of its mastery of advanced technologies, this institute has also trial manufactured a four-coordinate numerically controlled miller urgently needed for the production of helicopter parts.

This institute has now received orders from the major aeronautic plants for 16 sets of equipment to be used entirely for research in manufacturing new airplanes. If all these sets are purchased from foreign countries, we will not only fail to learn any new technology or to improve the technology of producing machine tools, but also have to spend more than \$10 million. Now that China is able to manufacture these machine tools, its expenditures in technical transformation alone will be reduced by 12 million. The value would be even greater if the economic results in production are also taken into account. The successful manufacture of this machine tool will not only meet the requirements of China's aeronautical industry for the next 10 years, but also set a good example for the proper handling of imports.

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CSO: 4006/727

INDUSTRY

JIANGSU MAINTAINED SMOOTH INDUSTRIAL DEVELOPMENT IN 1985

Nanjing XINHUA RIBAO in Chinese 17 Jan 86 p 1

[Text] According to data released by the provincial Statistical Bureau, Jiangsu's industrial production underwent a sustained, steady and harmonious development in 1985. The output of coal, steel, generated power and durable consumer goods increased by a fairly wide margin, and the economic results were markedly improved. The total annual industrial output value (not including that of the village and the lower levels) reached 86.354 billion yuan, a 27 percent increase over the previous year.

Last year, Jiangsu earnestly implemented the directive of the Party Central Committee and the State Council on strengthening macroeconomic control, and made great efforts in eliminating certain unstable factors which occurred in the economic life during the fourth quarter of 1984. As a result, the rate of increase in industrial production dropped from 33.1 percent in the first half year down to 21.1 percent in December. The high growth speed in the first half of last year was mainly due to the excessive increase in the township industry. Through a series of measures, the growth rate of township industry was gradually lowered from 94.3 percent in January to an annual average of 53.1 percent. The industries owned by the whole people, however, all along had a sustained, steady and balanced development and the growth rate ranged between 15 percent and 19 percent.

Jiangsu's light and heavy industries also developed harmoniously last year. The ratio between the light and the heavy industry was generally 57:43. Early last year, Jiangsu witnessed an excessive growth speed of heavy industry. In January the growth rate of heavy industry was as high as 39.4 percent while that of light industry was only 27.2 percent. To enrich the urban and rural markets and to meet the people's daily needs, the provincial and municipal authorities conscientiously abided by the "six priorities" principle in their strong support of those enterprises, which produced durable consumer goods and minor commodities for daily use. Priority in the supply of electricity, coal, gas, raw materials, and transportation facilities as well as the allocation of funds was given to these enterprises so that these limited resources could be used in developing the light and textile industries. Through these efforts, the slow growth of light industry and the excessive growth of heavy industry were changed. The output value of heavy industry was 36.754 billion, a 28.1 percent increase, while that of light industry was 49.6 billion yuan, a 26.6

percent increase over the previous year. The rate of increase in such easily marketable items as TV sets, cameras, cassette recorders, household refrigerators and electric fans, ranged from 50 percent to 120 percent, while woolen fabrics, woolen yarns, silk, beverage and synthetic detergents also increased more than 30 percent.

In 1985, while strengthening the macroeconomic control over industrial production, Jiangsu also stimulated the microeconomy according to local conditions. Many enterprises actively carried out internal transformation and formed external relations in order to further increase their vitality for the development of production. Their economic results were markedly improved. The province basically attained the objective of increasing both production and income, and its revenues were increased 17.8 percent over the previous year. The sales proceeds of the collectively owned local industry also increased 18.4 percent, the profits realized increased 15.6 percent, and the profits delivered and taxes paid increased 15.7 percent over the previous year, all higher than the 14.2 percent increase in the total output value of comparable items calculated at the constant prices. The achievement of these "three simultaneous increases" along with the high speed of industrial growth are certainly a good sign of further development.

There were also some problems in Jiangsu's industrial production last year, as shown in the high speed of increase in output value and the uneven improvement of economic results. The profits and taxes realized increased fairly rapidly and labor productivity was raised. However, the production cost of comparable products and the amount of losses were higher, energy consumption was not reduced as much as in the previous year, and the quality of products is not stable enough.

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CSO:4006/710

INDUSTRY

INDUSTRIAL DEVELOPMENT IN JILIN PROVINCE REPORTED

Changchun JILIN RIBAO in Chinese 17 Jan 86 p 1

[Text] The following information was obtained by our correspondent from the provincial planning and economic departments today: Last year, by strictly enforcing the state's macroeconomic control, treating the improvement of economic results as its central goal and the economic reform as its foremost concern and fully tapping the internal potential of the enterprises, the industry and transportation sector of Jilin has triumphed over various difficulties and continued the simultaneous increase in output value, taxes and profits, and state revenues for the fourth consecutive year. The total industrial output value of the province reached 21.3 billion yuan, a 14 percent increase over the previous year. The local industrial enterprises that were included in the budget also increased their output value 10.9 percent, their sales proceeds 19.9 percent, and their taxes and profits 21.7 percent, over the previous year.

Industry in the province maintained its sustained and steady growth last year. Heavy and light industries developed in harmony, and the product mix underwent some changes. There was a large increase in the output of some durable goods, a sustained and steady increase in energy and major raw material industries, and remarkable success in the development of new products. A total of 1,400 new varieties made their appearance in the province and created an output value of 720 million yuan. The profits realized exceeded 70 million yuan. The quotas for communications, transportation and posts and telecommunications were all fulfilled, and the economic results continued to improve.

The main causes of the province's success in industry were as follows: First, the guidelines were clear and the improvement of economic results was constantly stressed as a matter of primary importance. Last year, there was a shortage of raw materials and energy for industrial production in addition to the scarcity of funds and other real difficulties. To cope with these problems, the provincial party committee and the provincial government took some effective measures and launched a campaign in the industry and transportation sector to "improve the economic results," to "increase production and practice economy," to "increase the income and curtail expenses," and to "improve the economic results in aid of disaster areas." They persisted in seeking truth from facts, and strove only for realistic speed and benefits. Second, the in-depth economic structural reform increased

the enterprises' vitality. During the reform, attention was also paid to the consolidation of enterprises and the strengthening of the basic work in order to raise the standard of enterprise management. Third, the activities of bringing in investment from abroad and forming lateral ties at home were stepped up and the lateral economic relations were strengthened to improve the economic results. Up to now, according to preliminary statistics, the province has already started more than 1,500 cooperative projects, brought in funds of more than 100 million yuan, and imported more than 630 technologies, in addition to some 3,200 skilled personnel. The extensive links among enterprises have resulted in the formation of many enterprise groups headed by the producers of competitive goods. Fourth, by relying on technical progress and attending to the technical transformation of the enterprises, the province was able to strengthen the continuity of industrial production.

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CSO:4006/708

INDUSTRY

INDUSTRIAL DEVELOPMENT IN QINGHAI REPORTED

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 21 Jan 86 p 3

[Article by Zhang Rongda [1728.2837 1129]: "Qinghai's Industry Embarking on Path of Healthy Development"]

[Text] In industrial construction, Qinghai has changed the former guideline of striving for the "large and complete." Proceeding from the realities of the province, it has made great efforts to develop those trades for which the province has superior natural resources. This measure has given a new life to its industry which now has a fairly solid foundation and a fairly rational structure with greater adaptability.

Natural conditions are fairly poor and the standards of science and technology are fairly low in Qinghai. Its industrial development is therefore restricted by many factors, such as transportation, raw materials and the market. For some time in the past, however, Qinghai mechanically followed the examples of other provinces and set up many enterprises with poor resources, a very limited market, and poor economic results. Thus for a long time, industry failed to make any headway.

To change this passive situation, the province readjusted its industrial structure in recent years. First, it strengthened the light and textile industries which use animal products as raw materials. Then, by importing advanced technologies and equipment, strengthening the internal economic relations and cooperation, conducting important scientific research, tapping potential, equipment renovation and technical transformation, it was able to increase its light industry output value at a progressive rate of 10.64 percent each year, and to more than double the output value of its animal product processing industry during the Sixth 5-Year Plan. There are now more than 50 animal product processing enterprises in the province, and the output of woolen yarn, plush, woolen blankets, woolen and worsted fabrics, heavy woolen cloth, leather, fur, fur products, and milk products has been greatly increased. These products are selling well throughout the country, and some of them even became Qinghai's staple export commodities. In its textile trade, the number of enterprises which had not incurred any loss in 6 consecutive years ranked first in the country.

At the same time, unified planning was strengthened in its industrial structure and layout and great achievements were made in the concentration of manpower, materials and money on the development of those trades and departments having good resources and producing good economic results. The output of farm machines, machine tools and other items that were blindly produced was reduced, and more than 70 enterprises producing unmarketable goods or poor economic results were closed, suspended, merged or retooled for other lines of products, so that the money and technical resources thus saved could be used to develop the trades with good resources. The number of coal mines in Qinghai was increased to more than 50 in the past several years, and last year, the margin of increase in its coal output was above the national average. The output of gold, asbestos, lead, zinc, cement and gypsum was also increased by a fairly wide margin. The production of pure silicon was developed through the utilization of Qinghai's rich quartz resources and its abundant electric power. Now the output of pure silicon in Qinghai accounts for two-thirds of the national total, and its exports in the past 5 years brought in \$13 million in foreign currency.

As a further boost to its economic development, Qinghai is now intensifying its efforts on some large engineering projects by relying on local resources. The Longyangxia Hydropower Station, the Shitieshan Aluminum and Zinc Mine, and the first stage of engineering for the Qinghai Lead Plant will be completed and ready for operation in 1 or 2 years, and the output value is expected to be increased by more than 730 million yuan. Active preparations are now being made for some large engineering projects, such as a potassium fertilizer plant with an annual output of 200,000 tons, an oil refinery with a productive capacity of 1 million tons, and the Lijiaxia Hydropower Plant in the upper reaches of the Huanghe.

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INDUSTRY

DEVELOPMENT OF TEXTILE INDUSTRY IN SHAANXI REPORTED

Xian SHAANXI RIBAO in Chinese 30 Dec 85 p 1

[Article by Zhao Wutai [6392 0063 0669] and Shen Yunjun [3088 0061 7486]: "A Good Start for Production and Marketing after Reform in Shaanxi's Textile Industry"]

[Text] The textile industry in Shaanxi, one of its major industries, has surmounted its difficulties, thanks to the reform. At the end of November, the total output value of the province's textile industry reached 2.7 billion yuan, the sales proceeds amounted to nearly 2.1 billion yuan, and the taxes and profits totaled more than 350 million yuan, all showing large increases over the same period last year. The situation of both production and marketing is fine.

Shaanxi's textile trade did not fare well in the past several years. This year, the textile departments adopted a series of reform measures and surmounted their difficulties. First of all, the provincial textile company changed its official work style and devoted its efforts to providing guidance for the enterprises. The economic research center, formed last year, used scientific methods to conduct a sample survey on the conditions of supply and demand for textile products among more than 800 peasant households and 1,500 urban households, analyzed the data, and made forecasts on the market trend and the development of textile products so that blind production could be avoided. The company also boldly reformed the planning structure and reduced the number of various indices from 99 to 12. The enterprises were thus freed from the complicating indices and able to produce marketable knitwears and to expand their market with the improvement of economic results as their central goal. At the same time, the enterprises formed lateral integration extensively across regional and departmental borders and obtained remarkable economic results. Twenty enterprises have stopped their losses and thus saved 2.54 million yuan. In the summer-autumn national textile goods supply meeting, the volume of Shaanxi's transactions ranked third among all fraternal provinces and cities in the country.

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CSO:4006/708

INDUSTRY

DEVELOPMENT OF ANHUI'S LIGHT INDUSTRY REPORTED

Heifei ANHUI RIBAO in Chinese 18 Dec 85 p 1

[Article by Shen Qingyuan [3088 3237 3293]: "Anhui's Light Industry Made Gratifying Progress during Sixth 5-Year Plan"]

[Text] Anhui's light industry sector made gratifying progress in the production of consumer goods during the Sixth 5-Year Plan as shown in the following major aspects:

Sustained development in production. During the Sixth 5-Year Plan, Anhui's light industry was able to maintain its fairly rapid development with an average progressive increase of 12.3 percent each year. Its output value is expected to exceed 3.3 billion yuan this year, and the increase rate will be much higher than during the Fifth 5-year Plan when the average increase rate was only 4.8 percent. The output value during the Sixth 5-year Plan was increased by 1.4 billion yuan. The output of most major or key items may reach or exceed the quotas set in the Sixth 5-year Plan. The proportion of Anhui's light industry output value in the total national output value has risen from 2.54 percent to 2.87 percent.

Continued improvement of economic results. In the past 5 years, Anhui realized 1.9 billion yuan of profits and taxes in its light industry, including some 1.35 billion yuan in the first light industry and some 550 million yuan in the second light industry. Both production and economic benefits were simultaneously increased. In 1985 alone, more than 500 million yuan of taxes and profits was realized in the light industry which also delivered goods of 750 million in value for exports.

Steady quality improvement. Up to 1984, the light industry of Anhui produced 197 fine-quality products above the provincial level and the proportion of fine-quality products reached 23 percent. More than 1,400 new products and some 3,000 new varieties were developed, and 215 of these new products won scientific and technical achievement awards or fine-quality awards from above the provincial level. Many of these fine-quality products have reached the advanced standards of the same trades in the country and have become really competitive products that can stand the toughest test. Among them are the Gujinggong wine and the high-quality Xuancheng paper, which won gold medals from the state; the Changjiang 5-lb vacuum flasks and their glass liners, the

Lion-Head photographic films, the Double-Happiness white grape wine, and the Hukaiwen top-quality Chinese ink of Hui County which won silver medals from the state; and the Kouzi wine, the Taibai wine, the Pengpu white wine, the Fengshou enamel table plates, the Lion-Head edible gelatine, the Fangcou toothpaste, the Yutu toilet soap, the Huyumei spicy broad-bean sauce; the Meilin lunch meat, the ink-slabs of Shexian County, the Baihua laundry machines, and so forth. They are not only selling well in the province and the country but are also exported.

Rapid technical progress. During the Sixth 5-year Plan, Anhui's light industry has accelerated its technical progress and expanded its scope, thus laying a material foundation for even greater future developments. In the past 5 years, a total of 689 capital construction and technical measure projects were completed and 147 projects were imported.

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CSO: 4006/712

INDUSTRY

RAPID DEVELOPMENT OF ANHUI'S METALLURGICAL INDUSTRY REPORTED

Hefei ANHUI RIBAO in Chinese 12 Dec 85 p 1

[Article by Jiang Chen [3068 5256]: "Anhui's Metallurgical Industry Developed Rapidly During Sixth 5-year Plan"]

[Text] There is now gratifying news about Anhui's metallurgical industry. The annual production plans for copper, rolled steel, iron ores, gold, copper contents, lead contents, zinc contents, fine molybdenum grains, and steel cables were over-fulfilled 1 month ahead of schedule, and with much higher output than in last year. For example, the output of rolled steel increased 10.48 percent and that of gold increased 24.45 percent over last year.

During the Sixth 5-year Plan, the metallurgical enterprises gradually improved their performance in the course of the reform, as shown by the following characteristics: First, the margin of increase in the output is wider than in the productive capacity. In the case of steel, for example, the productive capacity increased at an average progressive rate of 6.92 percent, whereas the output increased at an average progressive rate of 7.43 percent each year. The productive capacity for nonferrous metals was hardly increased during the Sixth 5-year Plan, but the output increased at the rate of more than 2 percent every year. The progressive rate of increase in the output of electrolytic aluminum was 17.95 percent, far surpassing the rate of increase in the productive capacity. This has been the result of potential tapping, transformation, expansion and the auxiliary projects guided by the policy of "opening the country to the outside world and invigorating the economy at home." Second, the rate of increase in the output of final products was higher than in the output of semifinished products and raw materials. During the Sixth 5-year Plan, the average progressive rate of increase in the output of rolled steel was 12.08 percent each year; in the output of copper, iron and iron ores, it was only 6.92 percent, 2.5 percent, and 3.68 percent respectively. Third, the economic results were good. The profits realized increased at an average progressive rate of 11.27 percent each year, and the profits delivered and taxes paid increased at an average progressive rate of 9.99 percent a year, both being higher than the 8.82 percent increase in the output value.

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CSO: 4006/712

INDUSTRY

RAPID DEVELOPMENT OF ANHUI'S CHEMICAL INDUSTRY REPORTED

Hefei ANHUI RIBAO in Chinese 19 Dec 85 p 1

[Article by Ling Yiwen [0407 0110 0429]: Anhui's Chemical Industry Developed Rapidly During Sixth 5-year Plan"]

[Text] By firm adherence to the policy of "readjustment, restructuring, consolidation and improvement, output and productive capacity in Anhui's chemical industry developed quite rapidly during the Sixth 5-year Plan. The product mix is becoming more rational and the economic results have markedly improved.

During the Sixth 5-year Plan, the state set 10 major quotas for its chemical industry, calling for, among others, 909,000 tons of synthetic ammonia, 724,400 tons of chemical fertilizers, and 4,400 tons of insecticide, all in support agriculture. All these quotas were fulfilled 2 years ahead of schedule. In the production of raw materials, the quota of 416,000 tons of sulphuric acid was fulfilled 3 years ahead of schedule. The quotas of caustic soda and soda ash were also fulfilled, and those of plastic products and rubber tires were fulfilled 1 year and 2 years ahead of schedule respectively.

The internal structure of the chemical trade in the province is becoming more rational. In the past, there were more single-line than competitive products, and more products from low-efficiency rough machining than from high-efficiency fine machining. After readjustment in the past few years, the situation has improved as shown by the higher ratio of output value of the organic chemical, basic chemical and rubber processing enterprises.

The economic results of Anhui's chemical industry continuously improved each year during the Sixth 5-year Plan. The average annual increase rates were 8.95 percent for the industrial output value and 16.26 percent for taxes and profits.

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CSO: 4006/712

INDUSTRY

ANHUI'S MOTOR VEHICLE PRODUCTION IN 6TH 5-YEAR PLAN

Hefei ANHUI RIBAO in Chinese 5 Dec 85 p 1

[Article by Shun Xiang [7311 4382] and Xu Bin [1776 2430]: "Great Development in Anhui's Motor Vehicle Industry During Sixth 5-year Plan; Nearly 20,000 Vehicles Produced or Remodeled in 5 Years"]

[Text] Anhui's motor vehicle industry underwent great development during the Sixth 5-year Plan and the number of vehicles produced or remodeled approached 20,000. It has become a key industry in the province.

Anhui's motor vehicle industry had a fairly early start, because the 3-ton and 8-ton "Jianghuai" trucks were trial manufactured way back in 1969. However, its foundation was originally weak. The batch process was restricted and the improvement of quality was slow. During the Sixth 5-year Plan, the provincial Machine-Building Bureau and the Motor Vehicle Industry Company made an effort to accelerate the development of this industry. While paying close attention to the technical transformation of the enterprises, they organized the specialization of motor vehicle production. Particularly in the past several years, the production of accessories and spare parts was farmed out to more than 30 enterprises and the level of specialization and productive capacity were further raised. The variety of vehicles was also greatly increased along with the process of remodeling and refitting. The quality of vehicles was also greatly improved. The technical properties of the large and small "Jianghuai" trucks, the leading models, are now up to the advanced standards of the motor vehicle trade in the country. These vehicles are not only selling well in Anhui, but are also sold in other provinces, such as Henan, Hebei, Shandong, Fujian and Guangdong. In January-October this year, the total output value of the motor vehicle industry reached 176 million yuan, a 50.6 percent increase over 1980, the eve of Sixth 5-year Plan, and the profits realized totaled 32.76 million, a 4.4-fold increase over 1980.

Anhui's motor vehicle industry has now joined the nationwide integration of motor vehicle business operation and is importing foreign models and advanced technology in order to step up the technical transformation in preparing for even greater development during the Seventh 5-year Plan.

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INDUSTRY

BRIEFS

SHANGHAI 1985 SHIPBUILDING--The S/S "Taiguhai," a 36,000-ton freighter built by the Hudong Shipyard, S/S "Fengdushan," a 5,000-ton freighter built by the Qixin Shipyard, and S/S "Zhenfen No 10," a 20,000-ton freighter built by the Shanghai Shipyard, were signed over and delivered on the same day, 30 December last year. By that time, the ships built within the system of the Shanghai Corporation of Shipbuilding Industry exceeded 400,000 tons. Shanghai's shipbuilding industry made remarkable progress during the Sixth 5-Year Plan, and the tonnage of ships built increased from 180,000 tons in 1980 to 400,000 tons in 1985, or doubled in 5 years. It is now capable of building 60,000-ton vessels, and its products are up to the standards of the famous classification societies of the world. It has adopted the advanced international techniques, and the berth period for vessels of more than 10,000 tons has been reduced to about 3 months. More than 70 of the exported vessels were refitted by itself. In the past 5 years, the shipyards in Shanghai built and exported 66 vessels, totaling 500,000 tons, one-third of the total tonnage built. Recently, despite the serious depression in the ship market, Shanghai shipyards were still able to receive orders for seven vessels totaling 89,000 tons, while offers have also been received for another seven. [Text] [Shanghai JIEFANG RIBAO in Chinese 4 Jan 86 p 1] 9411

CSO:4006/710

CONSTRUCTION

PROGRESS OF 10 NATIONAL KEY PROJECTS IN ANHUI REPORTED

Hefei ANHUI RIBAO in Chinese 28 Dec 85 p 1

[Article by Xu Kejia [6079 0344 1367]: "Ten National Key Projects Making Speedy Progress and Showing Fine Quality"]

[Text] In Anhui, 10 national key projects are making speedy progress and show high quality. The Huainan and Huaibei Mining Districts, the Luohe and Pingyu Power Plants, the Huainan-Fanchang 500-kv transmission line, the Ningguo Cement Plant, the Hefei National Synchronized Radiation Laboratory, the Tongling Phosphate-Ammonia Plant, the float process production line of Pengpu Plate Glass Plant, and the Renlou Coal Mine of Huaibei, are listed as national and local national key projects. Due to the attention of the provincial party committee and government, and the system of economic responsibility adopted by the departments concerned in land requisition, building demolition, supply of local materials, organization of the workforce, and public bidding, the work this year proceeded rapidly and showed fine quality, a situation rarely seen before. The Huainan and Huaibei mining areas, combined form 1 of the 10 major coal bases in the country, had 26,952 meters of tunneling. After completion and operation of Zhipanyi and Zhuxianzhuang shafts, the Linhuan shaft with an annual capacity of 1.8 million tons is now being inspected for acceptance, and will be in operation soon. The No 1 generating unit of the Luohe Power Plant with a generating capacity of 300,000 kw has been basically completed. The Huainan-Shanghai 500-kv superhigh tension line is an auxiliary project of the Luohe Power Plant. A portion of this cable from Huainan to Fanchang has been completed and is being inspected for acceptance. The Ningguo Cement Plant of Anhui, the first large modern plant of its kind with an annual capacity of 1.5 million tons in the province, is now in the stage of trial production, and has already produced more than 150,000 tons of cement. The Hefei National Synchronized Radiation Laboratory has gained notoriety and won favorable comments at home and abroad about its speedy construction and high quality. Preparations for regular operation of the Tongling Phosphate and Ammonia Plant and for the production line with float process in the Pengpu Plate Glass Plant have been completed, and the auxiliary projects are partially completed. The main shaft of Renlou Coal Mine is in operation ahead of schedule, while the subsidiary and ventilation shafts will be operating by year's end.

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CSO:4006/710

CONSTRUCTION

ANHUI'S ACHIEVEMENTS IN MARKET TOWN CONSTRUCTION REPORTED

Hefei ANHUI RIBAO in Chinese 23 Dec 85 p 2

[Article by Ying Cai [5391 2088] and Dong Ming [2639 2494]: "Anhui's Remarkable Achievements in Market Town Construction During Sixth 5-year Plan"]

[Text] Along with the development of rural commodity production, many peasants have entered the towns to engage in industry and commerce or to develop the tertiary industry. Their actions have greatly accelerated the construction of small towns in Anhui. During the Sixth 5-year Plan, according to a sample survey, houses with a total area of some 30 million sq m have been built, more than 35 million km of streets have been repaired or widened, and 119 agriculture-trade markets, occupying a total area of 1.72 million sq m have been constructed in the market towns of the province's districts and villages. The progress of building the infrastructure was even faster in some economically developed areas.

Market town construction has provided a basis for the development of commodity production and helped many peasants to enter the towns for permanent residence and business venture which has promoted the development of rural enterprises. Since the beginning of this year, more than 1.1 million peasants in the province have entered the towns to develop the tertiary industry, and 310,000 households have established their residence in the towns. There are still 330,000 other households applying to enter towns. These peasants have brought money into the towns to develop rural enterprises and to infuse economic vitality in the construction of small towns. In Chuxian Prefecture, the tertiary industry is now developing in the market towns and playing an active role in circulation. In Huoqiu County, five large agriculture-trade markets have been built in the market town where the retail sales volume have increased by an average amount of 10 million yuan and the village fair transactions increased at an average amount of 15 million yuan each year.

The development of rural construction in Anhui generally takes the following forms: First, town development through industrial development. In Fangchang County, Digang town took advantage of the rich local resources of mineral ores to develop its stone-cutting and construction material trades. This town now runs 31 enterprises, which, in 1984, accumulated out of their profits large construction funds for the expansion of a road 1,000 meters long and 20 meters wide, the building of a new street and a trade center, the opening of 4

markets for minor commodities--rice, firewood, fish, and vegetables--the installation of street lights, the construction of public latrines, and tree-planting. Second, town development through reliance on circulation. In Guangting town of Feixi County, the volume of commodity transactions last year totaled 12 million yuan, a 50 percent increase over the previous year. The people raised 98,000 yuan on their own initiative to construct new streets, transform old streets, open an agriculture-trade market with an area of 4,000 sq m, and built 383 new houses. Third, town development through specialization. The screen nets of Zhangzai village and the sewing products of Gantong market in Lixin County, the nylon ropes of Pitiaosun in Taihe County, and the garlic of Guantang market in Boxian are all specialties which have created specialized towns with fairly great economic advantages. These advantages have greatly promoted the development of rural construction. Fourth, town development through the influx of peasants for residence and business ventures. In Guhe town of Quanjiao County, a new street more than 1,600 meters long has been built and 270 peasant households flocked to this town. These peasants have invested a total of 3 million yuan in starting various trades and in building more than 1,400 houses.

For rational planning and construction, the departments concerned are now providing more active management and guidance so that the use of land can be reduced. The provincial construction bureau has run two town-master training classes attended by nearly 200 persons, while the localities have also run 445 rural planning and rural construction training classes, attended by a total of 23,400 persons. Thus the high quality of rural construction and planning was ensured.

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CSO: 4006/724

CONSTRUCTION

ACHIEVEMENTS IN METALLURGICAL CAPITAL CONSTRUCTION REPORTED

Beijing JINGJI RIBAO in Chinese 23 Jan 86 p 2

[Article by Cheng Yuan [4453 6678]: "Remarkable Results in Metallurgical Capital Construction during Sixth 5-year Plan"]

[Text] Firmly adhering to the principle of comprehensive consolidation and active reforms and explorations, the metallurgical construction trade has increased the competence of the prospecting, design and construction work force and raised the standards of management during the Sixth 5-year Plan. Its adaptability has been strengthened, its investment returns increased, and the completion of the state's key capital construction and technical transformation projects assured. In the past 5 years, an investment of 16.53 billion yuan was used on capital construction. The first phase of the Baoshan Iron and Steel Complex with an annual steel output of 3 million tons and 89 other large and medium-size single-item projects were completed and put into operation, and the capacity of iron mining and ore selection were each increased by more than 11 million tons.

After 5 years' efforts, the adaptability of the metallurgical construction enterprises and the prospecting and design units has been strengthened. They are now looking for their own tasks and assuming sole responsibility for their profits and losses. They have not only ensured the completion and smooth operation of the first phase of the Baoshan Iron and Steel Complex project, and the completion of the key projects of technical transformation in metallurgy for the Anshan Iron and Steel Company, the Wuhan Iron and Steel Company, the Chongqing Iron and Steel Company and many steel plants in Tianjin, but also completed at high speed and with good quality a number of key nonmetallurgical projects including the Ningguo Cement Plant and the Huaihai Cement Plant in Anhui, and the coking furnace of Beijing Coking Plant. These projects have earned a fine reputation for the metallurgic construction trade.

In recent years, the metallurgical construction trade has adopted the investment responsibility system and saved a great deal of money. For the first phase of Baoshan Iron and Steel Complex, the state originally invested 4.05 billion yuan, but the project command contracted it out for 3.86 billion yuan and actually saved about 190 million yuan. The outlay for the second phase of the tailing dam for Wokou Iron Mine of the Taiyuan Iron and Steel Company was at first thought to be 10 million yuan higher than the planned figure. By adopting the investment responsibility system, however, it not only kept the investment within bounds, but also saved about 1.9 million yuan.

CONSTRUCTION

BRIEFS

CONTAINER WHARF COMPLETED--The Zhanghuabin container wharf, one of the state's key projects in the Sixth 5-Year Plan, has been completed and put into operation. At the end of last year, it was formally inspected and accepted by the Ministry of Communications and Shanghai Municipality. This container wharf is the third largest key project after the General Petrochemical Plant and the Baoshan Iron and Steel Complex in Shanghai, and also one of the largest special container wharves in China, capable of accommodating one 10,000-ton and one 25,000-ton second-generation container vessel. It is 424 meters long with an area of 175,000 sq m for roads and storage yards. Its operation is computer-controlled. It uses advanced techniques and a comprehensive loading-unloading system with 170 sets of equipment including 4 gantry cranes and 9 wheel cranes. Its designed traffic capacity is 200,000 international standard containers, and annual profits may exceed 20 million yuan. It is estimated that the investment may be totally recovered in 7 years, beginning 1986. This container wharf has been built with joint investment by the Ministry of Communications and the World Bank. The construction formally began in September 1980, followed by pile driving in July 1981. The project took 5 years and with new techniques and technologies in planning and construction, the work has proceeded much faster, resulting in the reduction of investment. [Text] [Shanghai JIEFANG RIBAO in Chinese 4 Jan 86 p 1] 9411

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FOREIGN TRADE AND INVESTMENT

FOREIGN TRADE MANAGEMENT UNDER OPEN-DOOR POLICY DISCUSSED

Shanghai CAIJING YANJIU [THE STUDY OF FINANCE AND ECONOMICS] in Chinese No 6, 18 Dec 85 pp 12-16

[Article by Xu Xinli [6079 1800 4409]: "Management Should Be Strengthened in Foreign Trade under Open-Door Policy"]

[Text] Foreign Trade Management Must Be Strengthen under Open Door Policy

The open-door policy is the result of a strategic policy decision of revolutionary significance formulated in the 3d Plenary Session of the 11th CPC Central Committee after reviewing both the positive and negative historical experiences over the past 35 years. It corresponds to the historical current, reflects the objective economic law, and indicates the only way to establish and strengthen a typical Chinese socialist economy.

China's open-door policy applies to all countries including capitalist, socialist and developing countries. This shows the comprehensive nature and global scope of this policy. China has established economic relations with more than 170 countries and regions, and made remarkable achievements in foreign trade, in the use of foreign capital, and in importing advanced technology.

Despite its remarkable achievements in developing its economic relations with foreign countries, we still have to be soberly aware that because of our lack of experiences and managerial personnel, and particularly our lack of an effective management system, some problems have cropped up resulting in great losses for the state and the people. In order that the open-door policy can be more effectively implemented, we must strengthen the management of foreign trade with particular attention to the current defects. The reform of the foreign trade system has now entered a new phase. The main features of this reform are the separation between government administration and enterprise management, the simplification of administration and the delegation of authorities to the lower levels, a unified leadership, and centralized management by special departments over the economic and foreign departments, thus doing away with the phenomenon of each unit acting on its own and arousing enthusiasm in all quarters. However, with the opening of the country to the outside world, the delegation of authorities to the lower levels, the increase in the number for foreign trade enterprises having more

decisionmaking power, and the overlapping commodity transactions, there are bound to be many new contradictions. Therefore, along with the implementation of the open-door policy, we should use both administrative and economic means to strengthen the management of foreign trade.

Stressing the importance of management does not mean setting up checkpoints at all levels and even less the repossession of the authority already delegated to the lower levels so that all authority can be concentrated in the central government once again, meaning a return to the old practice of rigid control. On the contrary, we should study the new developments, solve the new problems, improve the management in the process of opening the doors, and set up a new management system that is commensurate with the new situation of structural reform under the open-door policy. In making macroeconomic decisions, we should gradually increase the guiding plans and reduce the mandatory plans (which should not be more than 1 percent). According to the export plan of the Ministry of Foreign Economic Relations and Trade, 1,200 commodities of the major categories formerly subject to mandatory plans have been reduced to 100, while the remaining 1,100 commodities are now subject to guiding plans. There should be unity and flexibility in the planned foreign trade structure. The so-called unity means that in macroeconomics, the state should exercise its unified control so as to ensure proper proportionate relationships between imports and exports and between the receipts and payments in foreign exchange. On the whole, therefore, a national foreign trade plan can only be based on a rough estimation and is flexible, so that, after comprehensive balancing and the use of economic means, the expected goal can generally be reached. The so-called flexibility means flexibility in microeconomic activities and the use of economic levers and the market mechanism. The trade forms can be many and varied. Based on the actual conditions of different departments or enterprises, the foreign trade departments can freely and according to their own plans join the production and scientific research units to form industry-foreign trade integration, technology-foreign trade integration, or agriculture-foreign trade integration in striving for optimal economic results. In either macroeconomics or microeconomics, they must willingly abide by and apply the law of value, the basic law governing the production and exchange of commodities. Foreign trade, in particular, is governed by the international law of value and the international commercial law. Therefore, we must study more about the international market, pay greater attention to the forecast, and familiarize ourselves with the international commercial laws before we can bring into play the function of foreign trade management more effectively.

To strengthen our foreign trade management, we must change the former practice of ignoring the international environment, and the pattern of "mainly domestic-oriented" management which was exclusively concerned with the domestic market. This change will help us absorb more foreign funds, bring in more foreign technology and expand our exports. In the past, China's policy was mainly of a "domestic-oriented" type advocating the "substitution of imports." This protectionist policy of management, intended for the preservation and development of the national industry, was perfectly correct according to our national conditions at that time. Because China had abundant natural resources and a market capacity of 1 billion people, its economic construction should start with a change in the semicolonial structure and the

establishment of its own independent economic structures in order to eliminate the effects and impact from the capitalist economy. Furthermore, the international environment at that time did not permit us to enforce our open-door policy in a big way. Now, the open-door policy has been established as China's long-term basic national policy, and hereafter, the more developed our economy, the more extensive will be our economic relations with foreign countries. Therefore, the management system for our economic and trade relations with foreign countries must be studied, set up, and developed in combination with our international relations.

#### Strengthening Foreign Trade Management in Several Aspects

##### I. Strengthening the Management over Policy Implementation, Pricing and Customer Relations in Export Trade

Exports are the foundation of China's foreign trade, because we must organize a portion of our industrial and agricultural products for export before we can earn most of the foreign exchange we need. Unless its foreign exchange earning capacity is greatly increased, China cannot make much headway in the utilization of foreign funds or the importation of technology. Therefore, the increase in exports is a way to guarantee the prolonged effects of China's open-door policy and the promotion of its domestic economic development. On the whole, however, China's export trade is still insignificant, being only slightly higher than 1 percent of the total world export volume. This is highly inconsistent with a large country of 1-billion population. Thus its long-term strategic task is to increase its exports in order to earn more foreign exchange.

To increase the capacity of foreign-exchange earning through exports, we must first improve our foreign trade management, and particularly our management over the implementation of the foreign trade policy. Besides the reduction and exemption of industrial and commercial taxes for certain export commodities, the grant of credit for exports, the sharing of foreign exchange earnings and other policies for encouraging exports, we should also adopt some new foreign trade policies and measures to provide greater incentive. The coastal cities should further increase their exports according to the policy of "supporting exports with imports" (which accounts for 54 percent of Shanghai's export trade and should further increase in future.) Efforts should be made in running export commodity bases and special export plants. For example, the Shanghai No 17 Bleaching and Dyeing Plant and some special export plants in Shanghai have earned a great deal of foreign exchange and made great contributions to the state. However, the benefits for the enterprises and workers are usually less than those of their counterparts producing for home consumption. Before the state undertakes any important reform in the foreign trade structure, the central or local authorities should readjust certain irrational policies and measures. To further promote the export of perishable goods, the "straight in, straight out" method introduced by the central authorities for the areas in the vicinity of international markets (such as Baoan County and Zhuhai County in Guangdong) is entirely correct and feasible, since supply over short distances is less expensive and causes less damage. In addition, it is more effective in preserving the fresh and live cargoes and earning foreign exchange, the supply is flexible and

readily available, and the prices can be easily readjusted according to local conditions. For those products that are capable of earning foreign exchange and yet bring "false losses" because of pricing, taxation and other factors, more lenient measures should be taken in the way of tax reduction and exemption, increasing their profits by reducing others', granting subsidies, and so forth, to promote their export. Whenever conflicts arise between foreign and domestic sales, the "five priorities"--namely, priorities in the assignment of tasks, procurement, transportation, and the supplies of raw materials, fuel, motive power, and packaging materials--should go to the export commodities. Since this principle concerns production, supply, transportation, energy, finance, banking, and many other departments, and these departments are interrelated and mutually restrictive, it is all the more necessary for us to improve the management so that all the departments will be better coordinated and an overall balancing can be accomplished.

To solve the problems of procurement at jacked-up prices, competition at cut selling prices, and the scramble for market, great importance should be attached to management over pricing in exports and over customer relations. Export trade is mainly subject to guiding plans. When material resources are not quite abundant in the country, procurement at jacked-up prices would produce an "upward pull" to raise the commodity prices at home. Furthermore, if the procurement prices are too high, the competitive power of our export commodities would be affected. In dealing with procurement prices, therefore, the administration of prices authorities should control the increase within certain limits--even though such control may not be easy because of the effects of the law of supply and demand--in order to avoid their impact on the domestic market and on the procurement plan. Export prices should be even more strictly controlled according to the principle of unified policy, unified planning, and unified action toward foreigners, control by relevant departments at different levels, and support through a unified price disparity. The general requirement under the principle of pricing for export commodities is to combat arbitrary increase or decrease in prices. Suitable prices should be set according to the price level of the international market and based on the principle of equality and mutual interests and other factors, such as the policies of other countries and regions affecting our sales, the conditions of transactions, changes in the monetary value, and transportation, in an effort to obtain the best possible economic results. Even for exports to other countries where import quotas are in force, the commodities must be fully supplied. For the commodities of various ports, companies or enterprises carrying out overlapping transactions, or the commodities which are facing fierce competition on the international market, we must first strengthen the management over the issuance of export permits and then set the minimum export prices after bringing about harmony among the parties concerned. By this means, we will be able to "prevent benefits from going to outsiders." There must be a system of division of work and a system of export price control within the enterprises. All personnel responsible for foreign sales, market information, and pricing must thoroughly study and understand the export prices, while the departments in charge at the higher levels should strengthen their management and supervision.

The effective management of customer relations is also a key to export expansion. The goodwill of old customers in various ports has been built up

through years of economic and trade contacts. There should be mutual benefits for our customers and ourselves, each benefiting from the strong points of the other. However, the improper methods now used in winning over customers from others have impaired the customers' legitimate interests and disrupted the original channels of marketing with the result that the links of our marketing abroad get out of control. These problems should deserve our careful attention. Shanghai has 28,000 customers; however it also has three major problems:

1. A high turnover rate. According to the statistics of 1981, Shanghai had business transactions with 18,000 customers, of whom, 14,421 were regular ones. It had 6,111 new customers in 1981, but did not have any business with 4,966 others, whose names were on its customer list of the previous year. The turnover rate was 76.81 percent, equivalent to 11,077 customers.

2. The large number of medium and small customers. An analysis of the actual business volume in 1981 showed the following figures: 40 customers with transactions exceeding \$10 million; 83 customers with transactions exceeding \$5 million; 95 customers with transactions exceeding \$3 million; 533 customers with transactions exceeding \$1 million; 2,567 customers with transactions exceeding \$100,000; and 10,528 customers, 72 percent of the total number with transactions below \$100,000.

3. Few commission agents, sole agents and consignees. Of more than 100 countries and regions we serve in foreign trade, only 58 have agency relations with China in the form of commission agents, sole agents or consignees, and most of them are concentrated in Hong Kong and Macao. In 1982, the commission agents and sole agents of 21 provinces and municipalities totaled 4,421, including 1,669 (38 percent) in Hong Kong and Macao; 800 (18 percent) in the ASEAN countries; 360 (8 percent) in Western European Common Market; 212 (4.7 percent) in the 6 gulf countries; 154 (3.5 percent) in Japan; and only 9 (2.2 percent) in the United States. Only 136 of them had transactions exceeding \$5 million.

These problems show the need for us to expand the channels of international marketing, and particularly the channels to the United States and Japan. Japan's sales volume of "Nitaku" ping-pong balls was 30 times that of China's "Hongshuangxi." Since "Hongshuangxi's" quality is superior to that of "Nitaku," and China is better than Japan in this game, how can China's sales of these balls be behind those of Japan? The main reason is that Japan has a huge customer network in Sweden and other places. Now, China should pay particular attention to the development of sales agents. China is short of funds and talents, and there will be certain difficulty for it to organize its sales network abroad. Furthermore, its productive forces and such infrastructural facilities as communications and transportation cannot entirely meet the customers' requirements for small batches, diversified designs, high quality and on-time delivery. Since the volume of our export commodities is mostly small, it would not be economical for China to adopt the method of direct overseas sales at high costs.

For the healthy development of the channels of our foreign marketing, we must make better use and strengthened the management of our customer relations,

particularly in dealing with the customers of the enterprises of one or more ports carrying out overlapping transactions. These enterprises should maintain their close relationships and exchange information among themselves in order that there can be centralized management and concerted action toward foreigners. Generally, staple export commodities should be handled by specialized [foreign] traders; new commodities or minor commodities should be handled by the importers or agents in "blazing the trail"; and as for the commodities in great demand, the sundry goods, and the consumer goods for daily use, it would be best for us to do business with the large department stores or supermarkets. These traders have large amounts of capital, strong sales forces, quick turnover, and large capacity for imports. Furthermore, they can import without intermediate assistance and need not pay commissions. If necessary, we can offer some discount to arouse their enthusiasm in dealing in our exports.

## II. Strengthen the Quality Control of Commodities, Develop through Competition

In expanding our export trade, we must pay great attention to a number of competitive products and update our commodity mix. In other words, our export commodities must have greater extra value. If we can raise our export textiles to match Hong Kong's standards, our foreign exchange earnings can be doubled even though the volume of exports is not increased. The capitalist countries have set up various types of tariff walls, but they only restrict the quantity, and not the quality. If our export commodities are to have a firm foothold on the international market, they have to win through better quality and novelty. In 1982, Shanghai lost \$1.8 million in foreign trade, and 94 percent of this loss was attributed to the failure to meet the specifications in terms of quality. We must not take this matter lightly. In Japan, the comprehensive companies and large enterprises all treat quality as a matter of prime importance. They believe that "quality is the passport to the whole world," and that "quality and variety are the basic conditions of a factory's survival." They accordingly have a strict control system for their raw materials, semifinished products, and finished products leaving the factory. To solve the problem of quality for the export commodities, we must first carefully investigate through various channels the quality and technical standards for the same products on the international market, and, second, transform the old enterprises in order to raise their technical standards in production. In 1985, for example, 460 new varieties and new designs of worsted and woolen fabrics were in regular production by the woolen and linen trades in Shanghai, in addition to more than 1,800 new-style woolen sweaters already on the market. All these were the result of importing technical equipment, transforming the old enterprises and making use of the original equipment. For many years, the Zhanghua Woolen Textile Mill of Shanghai had adopted the quality standards set by the International Wool Bureau and tried hard to do even better. After some efforts, it finally succeeded. In the textile trade, the quality of 95 products of 29 mills has been recognized by the International Wool Bureau as being up to the international standards. These products are now allowed to carry the pure-wool mark which is recognized throughout the world. This should be a big help to the expansion of China's export.

Victory through quality and victory through novelty are mutually complementary, and all export enterprises should attach great importance to the research and development of new products. Now that the service life of products is becoming shorter and shorter, it is all the more necessary for us to update our products constantly in order to improve the quality and increase the varieties with an element of novelty for the products. The foreign trade enterprises, the commodity inspection bureau, the customs, and the departments concerned should conduct their check-up meticulously so that no substandard products can ever get out of the country.

In our marketing strategy and business style for exports, we should have the courage to join in the competition, and be flexible and resolute in adapting ourselves to market changes, so that no favorable opportunities can be lost. The export commodities, the export regions, and the trade conditions should be carefully arranged and analyzed, while short- and medium-range plans should be worked out so as to determine the main direction for us to exert our efforts. China does not have many competitive products, and its commodities are of numerous mixed varieties. Under such conditions, while paying attention to the major markets, we must not neglect the other markets. In our marketing strategy, we must dare to compete. A country which cannot face competition will lose its vitality, and an enterprise which cannot face competition may not survive, because whatever advantage it formerly enjoyed will be lost, until it is finally eliminated in the competition. If, on the contrary, we dare to compete, we may obtain whatever we do not have now and may overcome many difficulties. Just because of its courage in competition, China's shipbuilding industry has built 442,000 tons of ships and set new records in the quality of products and in the volume of exports. Its products have entered more than 40 foreign markets.

Competition is very important in many respects other than price, such as post-sales service, maintenance, prompt delivery according to the specified quality and quantity, and flexibility in the forms of trading and the forms of account settlement. As for business style, we must change the former practice of waiting for customers to call at the door and the former "production first" style in organizing large-scale production for export on the basis of several contracts. Nowadays, the business system is developing from what is large and centralized to what is small and widespread. Because the products are becoming increasingly "light," "thin," "short" and "small," the customer also wants the products to be of more varieties, high grades, and novel designs. That is why we should watch the market attentively and form the "customer first" business style. If conditions permit, we can set up multinational companies abroad. By this means, we can to a certain extent by-pass the tariff or nontariff walls, or take advantage of certain preferential conditions to expand our exports. We can also carry out on-the-spot processing and production to meet the consumers' needs.

To expand the export of fine-quality products and to increase their power of international competition, some supportive policy should be specially formulated for exports. For example, the depreciation of the equipment imported to expand the export of new or fine-quality products can be accelerated. (Japan adopted the depreciation acceleration system way back in 1952 when the machinery used for export products had to depreciate 50 percent

in the first year and 100 percent in 3 years. A similar system was also adopted in the United States.) Fairly strong material and moral incentives were also given to those enterprises and individuals making important contributions to exports.

### III. Strengthen Quality Control of Imported Commodities and Management of Technology Importation

While expanding our exports, we should also attach great importance to our imports. The failure on our part to bring into full play the role of our import trade in the past was in fact a great loss. Bringing into play the role of import trade, however, does not mean leaving our doors wide open for all foreign products. What we lacked was mainly the materials and commodities which were in short supply at home in addition to some advanced technologies and equipment, and the main purpose of importing was to promote the technical transformation of enterprises or to set up some new industries so as to raise the labor productivity and to fill some gaps in the country. Therefore, we must strengthen the control over the approval of import licenses, the quality control of imported commodities, and the control over imported technology. Some commodities recently imported are inferior in quality and short in quantity, and this situation is becoming fairly serious. In 1984, the state's commodity inspection department discovered that 11,165 of the 76,117 batches, 15 percent, did not fit the specifications. In the first quarter of 1985, again 4,683 of the 40,387 batches, 12 percent, did not fit the specifications. Capitalists are only interested in profits, and the tricks they use are numerous. We must check our imported goods very carefully, and, if necessary, seek compensation. Nobody can ever be generous with state property, and any enterprise failing to meet this requirement must be reorganized or eliminated.

An urgent need of the moment is to import advanced technologies for the technical transformation of old enterprises. According to statistics, about 40 percent of the enterprises under the light industry bureau of Shanghai were created before the 1940's, and more than 75 percent of the equipment in the machine tool industry of Chongqing was produced before the 1950's. Because of their backward technology, equipment and techniques, many trades have found it difficult to upgrade their products. In the 36 years since the founding of the People's Republic, more than 1,900 technologies and complete sets of equipment were imported at the cost of \$22 billion in foreign exchange. From 1979 to September 1984, 817 items of technologies and key equipment were imported at a cost of \$6.2 billion. These imports have produced remarkable effects on the promotion of economic development, but the present problem is that duplicate imports have produced unfavorable results. Since 1984, for example, the state has imported a total of 81 color-TV assembly lines and the productive capacity reached 12.08 million sets a year. However, the productive capacity for the components and accessories was inadequate, and many enterprises operating under capacity were compelled to import them in order to keep up their production. At the same time, since the assembly lines came from many different countries, the specifications of the components were not the same, thus creating difficulties for domestic production of color TV's.

In importing technologies, we must be sure to import those of key importance, or the advanced technologies that are economical and adaptable so that we can improve the quality and increase the varieties of products, lower the production cost, and raise the standards of productive technology and business management. To avoid duplicate imports, a national authoritative agency should be formed to take overall charge of importing technology, to strike an overall balance, and to stress economic results. In importing any item, the department in charge must exchange information with the relevant departments on all matters including technical exchange, inspections abroad, feasibility studies, and negotiations over transactions, and strengthen the vertical as well as horizontal ties. They must be united in dealing with outsiders instead of scattering their forces and giving outsiders the opportunity to take unfair advantage. In December 1984, 7 Chinese glass plants, led by the Ministry of Light Industry, combined to conduct negotiations on imports and thus saved \$1.3 million. On the whole, the present scope of importing technology is too wide and overall planning is lacking. In the future, we must strengthen our planned management, and do away with the phenomenon of each going its own way in dealing with foreigners. The imports at all levels from the central down to the local governments must be streamlined in order that our limited foreign exchange may be used to the best advantage.

#### IV. Strengthen Management over Economic Contacts between SEZs and Hinterland

While economic contacts between the SEZs and the hinterland are becoming increasingly frequent, some unhealthy trends have also appeared. According to a relevant law, "some of the products of joint ventures belonging to the categories which are urgently needed in China, and which China wants to import, may be sold mainly on China's domestic market." China's concession with part of its home market as a remedy for the scarcity of certain products is both correct and necessary. However, the management must be strengthened. Most developing countries have strict rules to restrict the entry of SEZ (or exports processing areas) products into their domestic market, and these products must be taxed according to regulations. Spare parts and accessories brought into the SEZ may be tax-free. However, if the finished products are sold on the domestic market instead of foreign markets, the spare parts and accessories included in the finished products must still be taxed in the same way imported spare parts and accessories for domestically produced products are taxed according to the principle of encouraging exports and restricting imports. At present, however, many commodities have entered the domestic market without approval or paying taxes, because some people are trying to make illegal gains. In some places, the practice of black-market dealings in foreign exchange or goods in great demand is quite serious and causing a serious impact on the market and the state plans. Since SEZs are an innovation, some defects in them should be no cause for alarm. However, we must never condone the people or their deeds which jeopardize the state's interests and disrupt the open-door policy. We must strengthen our management so that the SEZ's economy may become truly foreign-oriented and the SEZs themselves may play a more effective role as the "window" for the use of foreign funds and the import of technology. Then the economic relations between the SEZs and the hinterland will be shifted into a benign cycle.

Any type of management must be systematized. However this systematization must be backed by sound and effective economic law. It is true that we have already promulgated "The Law of the People's Republic of China on Chinese-Foreign Joint Ventures" and other related statutes, but such laws and statutes as governing business operations with exclusive foreign capital, corporation law, bankruptcy law and so forth have not been publicized to meet the needs of a continued development of an open-door economy. Therefore, we must carefully note the major problems in our economic work involving foreign countries, set up some management rules and regulations, continue to supplement and revise them in the course of practice, gradually perfect them and finally make them into law, in order to open a new prospect in the management of economic and trade relations with foreign countries.

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FOREIGN TRADE AND INVESTMENT

SUPERIORITY OF ENTERPRISES COMBINING FOREIGN TRADE NOTED

Beijing GUOJI MAOYI WENTI [INTERNATIONAL TRADE JOURNAL] in Chinese No 3,  
Mar-Apr 85 pp 8-12

[Article by Wang Kaike [3769 7030 4430]: "The Necessity and Superiority of Joint Management of Foreign Trade by Industrial Enterprises and Trade Enterprises"]

[Excerpts] Carrying out the combination of industrial production and technology with foreign trade is an important principle in the development of China's foreign trade and the speeding up of China's technological advancement. The through implementation of this principle has extremely important and real significance for speeding up the development of China's foreign trade and advancing the four modernizations. This article discusses the necessity and the superiority of industrial and trade enterprises jointly managing foreign trade, as well as some current problems that should be pointed out.

I

This so-called combination of industry with trade is actually the combination of industrial enterprises with foreign trade enterprises. The direct combination of industrial enterprises and foreign trade enterprises, and the appearance of jointly-managed foreign trade corporations is definitely not coincidental; it is the essential product of domestic economic and foreign trade development.

In the past, foreign trade departments alone handled foreign trade. Industry and trade were separated, and production and marketing were disjointed. Industrial enterprises were not able to participate in the management of foreign trade. They lacked an understanding of the conditions and demands of the international market, and they simply relied on the foreign trade corporations to place orders for various kinds of goods while they produced blindly. Foreign trade departments did not understand the techniques, technology or management of production. Thus it was difficult for them to procure products according to superior principles and to plan overall distribution and ordering in an economically rational manner. It was also difficult for them to appropriately and in a timely manner manage the intricate and ever-changing relationship between production and international market demand. For the full scope of production, where circulation channels are

numerous, production takes a long period of time, and communications are complex, there was no way to develop exports in an overall planned manner. Industry and trade each had its own responsibilities. Industrial enterprises only organized production and provided taxes and profits to the state; they did not take responsibility for marketing and overstocking of foreign trade. Some products were marketable on the international market, and their rate of earning foreign exchange was also relatively high, but for production enterprises whose quality requirements were high or production quotas relatively small, or whose product varieties were abundant but suffered from frequent changes in the market, the enterprises were unwilling to produce, and the supply of goods for export was insufficient. Foreign trade departments merely organized exports and collected foreign exchange; they did not accept responsibility for the quality of management of industrial enterprises or for difficulties encountered in production. Imports often were bought for the sake of buying, and foreign trade departments were unable to feel the anxieties felt by the production enterprises. Information concerning industrial production costs and foreign trade export prices and foreign exchange rates was often closely guarded or even kept secret. If this had continued, not only would the development of foreign trade be hampered but it would also be very disadvantageous to both production and construction.

In order to guarantee a stable supply of goods for export, in 1960 the foreign trade departments gradually established export commodity production bases at specialized plants and workshops in the provinces, municipalities and autonomous regions. This can be considered to have been the initial attempt to combine industry (and agriculture) with foreign trade, and an attempt to resolve the contradictions produced because industrial production and trade were separated. The establishment and development of these production bases and specialized factories played a definite role in the development of export commodity production, raising product quality, increasing the marketability of products, increasing the competitiveness of China's commodities in the international market and so on, and provided a material base for advancing the development of foreign trade. However, there still existed in these production enterprises shortcomings, such as a lack of separation between government and enterprises, disjointed production and marketing, and a separation of exports and the interests of production enterprises. Thus, after the goods and materials of foreign trade that fostered production were distributed to the local areas and departments, they were often used by the localities and departments themselves--so that the production enterprise for whom they were intended did not receive essential goods and materials. They continued to suffer difficulties in production, and could not develop well. In export commodity production there still existed a great deal of blindness in production; some best-selling export products whose production was fostered were often sold on the domestic market, so that foreign trade still did not obtain a sufficient supply of goods.

After the 3d Plenum of the 11th Central Committee, in order to meet the needs of the policies of opening up to the outside world and enlivening the domestic economy, the entire country enthusiastically investigated the paths of integrating industry and trade, and technology and trade, and direct links between production and marketing. A few large-scale backbone factories and

enterprises managed their own foreign trade business, and went on to establish a group of import-export corporations and jointly managed corporations that integrated industry and trade, and technology and trade. This produced definite results with respect to arousing the enthusiasm of industrial departments toward developing foreign trade, increasing import-export channels, enlivening management methods, and so on. However, for most of these pilot projects and exploratory projects, management authority circulated only within the administrative departments, and did not really touch upon the crucial point of giving autonomy to the foreign trade and production enterprises. Enterprises were still subjected to administrative interferences, and were not really able to emphasize the effective management of foreign trade. Thus the initiative of these enterprises was not fully aroused. Although there was urgent demand among industry and trade enterprises at the grassroots level to integrate industry with trade, they were often interfered with by departments and local authorities and so their desires could not be realized. Some of the pilot projects to combine industrial production and trade also fell into this pattern, and their superior qualities were not mobilized. Aside from a minority of pilot projects with favorable results, overall, problems involving improving product quality, lack of coordination between production and sales, increasing product variety and superior product substitution, have not yet been resolved. In fact, a few of the contradictions between industry and trade are even sharper now than they were in the past.

## II

The foreign trade corporations managed jointly by industrial and trade enterprises (simply called corporations below) are jointly invested in by industrial and foreign trade enterprises. Both sides send personnel, and they organize, build and manage the corporations together. The corporation generally participates in the management of the production enterprises. Its responsibility is to act on behalf of the production enterprise in managing all of its export-import business and its business of foreign economic and technological cooperation. And it participates in bringing in technology, equipment, components, and raw materials needed by the enterprise for the development of production. It develops joint production, joint ventures, technical cooperation, technical service, compensation trade, materials processing, and component assembly. Aside from products whose marketing comes under unified state regulation, it also manages the export business of the production enterprises's products, sideline products, and intermediate products. Under appropriate conditions, it could also take on the business of acting as an agent for other units. The corporation set up a board of directors, made up of persons from both the industry and trade enterprises, which debates all of the major problems facing the corporation, including formulating and revising the corporation's way of doing things, engaging and appointing managers and deputy managers, and choosing among the corporation's different options for business management, distribution of profits, financial accounting, reserve fund accumulation and so on. The corporation carries out independent accounting, and is responsible for its own profits and losses. The industrial enterprise and trade enterprise take joint responsibility for profits and losses and for risks.

Once the foreign trade corporation is formed through the direct combination of the industrial enterprise and the trade enterprise with joint management,

it will then be clear that it possesses other special characteristics and superiorities not possessed by the other kinds of foreign trade corporations. It already has inherited some of the primary points of excellence of other foreign trade corporations, and cast aside their deficiencies. Experience has indicated that they are a new living object in the course of the reform of the foreign trade system, and their superiorities are manifested primarily in the following areas:

First, the organic combination of the interests of both the industrial and trade enterprises, and the subsequent mobilization of the initiative of both sides in working together to develop foreign trade. Because the foreign trade corporation that is managed jointly by the industry and trade enterprises organically combines the interests of both sides, both industrial and trade enterprises can voluntarily assist one another, and can mutually advance. Together they can be concerned about the corporation's management situation, especially its profit-and-loss situation. Thus, the initiative of both industry and trade to work together to develop foreign trade can be mobilized. This is primarily manifested in both sides reducing the cost of exporting, raising their rate of earning foreign exchange, obtaining even more foreign exchange, making greater profits, developing production, expanding foreign trade, and striving to work together. For example, some chemical industry export products had been losing money for a long time, but after coming under this jointly-managed foreign trade corporation formed by industrial and trade enterprises, because of the mutual effort put forth by both sides, before half a year had passed the cost of exporting had decreased by more than 16 percent and the corporation in one step began to turn a sizable profit.

Secondly, full play was given to the superiorities of both industry and trade, and management capabilities and economic results were improved. Internally, the corporation let democracy flourish, and all major business problems were discussed by the board of directors, which was made up of persons from both trade and industry. The problems became the responsibility of the relevant office and were not backed upward to higher levels, which served to reduce the number of management levels and commodity circulation links involved, reduce waste, and improve economic results. Internally, the corporations overcame the shortcomings of running enterprises administratively and not separating administration from business, and enlivened the enterprises. In concrete business activity, industrial personnel stressed planning production and negotiating technical matters with foreigners, while the foreign trade personnel put their emphasis on business transactions. Both sides took the long view, and mobilized the superiorities of each speciality and experience, and strengthened management abilities and international competitiveness. The corporations were generally established in production enterprises, which also negotiated import-export trade directly with foreigners. The direct link between production and marketing enabled them to better understand international market conditions in a timely manner, and also to better grasp production behavior in a timely manner. They were, thereby, able to adjust production to marketability, and supply to demand in a timely manner in accordance with international market conditions and the conditions of the enterprise's production. This strengthened the marketability of export products on the international market and the level of advancement and suitability of imported

products, and improved economic results. Foreign businesspersons viewed foreign trade corporations that combined industrial production with trade as having foreign trade personnel participating as import-export managers, and were very happy with this and very willing to do business with them. At the same time, the foreign trade corporation that participated in the joint management of industrial production and trade originally only had one group of customers, but because of this they soon became an import-export procurement and distribution network. Some corporations had just been set up when they began to become well known to foreign businesspersons, while for some corporations it was the first time they had sent people to participate in the Guangzhou Trade Fair. But the volume of business they did in the course of the trade fair was even greater than that done by some industrial departments that sent groups numbering in the hundreds.

Third, the corporations strove to promote the technical transformation and development of production in relevant factories. In general, the foreign trade corporations managed jointly by industrial and trade enterprises can all establish a principle of production making it clear that only if "trade" enthusiastically cooperates with "industry" can there be development, and therefore once a corporation is established it makes service to the industrial enterprise its own purpose. Many cadres doing business in the corporations were originally engineering and technical personnel in the factories. When in the course of business negotiations with foreigners, they heard news that another country had advanced technologies of one kind or another, they would immediately pass that news on to the factory. Quite a few of the technical transformation items imported by factories in the past few years were suggested after the factory had heard news about them from the corporation. And when the corporation took responsibility for the business of importing, it could then undertake the "four cooperations": (1) cooperation with the consumer to do a good job in the preparation work during the period preceding the import of an item; (2) cooperation with consumers in carrying out feasibility studies; (3) cooperation with the consumer in providing the relevant technical and business materials to foreign businesspersons for their analysis, and when necessary also invite foreign businesspersons to carry out technical exchanges; and (4) cooperation with consumers in drafting contract appendices with respect to technology, and enable the customer to have an understanding of the current level of technology and prices on the world market in relation to their own project. By becoming fairly well informed, they could create a base for discussion with foreigners. At the same time, during technical and business discussions, they also strive to work toward "four clear ideas:" a clear idea of technical guarantees, a clear idea of the realm of supply of the vendor, a clear idea of design and technology conditions, and a clear idea of the technical service provided by the vendor. They also closely coordinated technical and business discussion when the two were dealt with separately, and invited relevant personnel from the factories to participate in business negotiations with foreign businesspersons. Because the corporations gave so much consideration to the factories' requirements for technical transformation, and put themselves in the shoes of the customer, for the past few years they have imported some relatively advanced technology and key equipment items for the corporations, have resolved some difficult problems, and have done a great deal to promote the technical transformation and production development of the factories.

Fourth, they speeded up the development of import-export trade. In the past, once the production plan for export commodities was handed down it was very difficult to change. It was even more difficult to increase the procurement of commodities outside the plan that were in great demand. Now it is possible to adjust production and distribution in a timely manner to accord with and match current conditions and to accord with supply and demand on the international market. It is also possible to increase the production of salable commodities, to speed up increases in product volume, to improve packaging, to increase product variety and to increase the production and trial distribution of new products, thereby facilitating the relatively abundant supply of products for exports, especially the supply of marketable products. Under close coordination by the foreign trade corporations, they also made speedy breakthroughs in the marketability of a number of products, opened new markets, revived and expanded old markets, and facilitated the renewed development of export trade. The development of exports provides foreign exchange for imports, and thus advances our importing. With respect to importing, because there is a greater understanding of our production situation than there was in the past, we can closely integrate our knowledge with actual working conditions. For example, we used substitute products instead of imports, only imported key equipment that could resolve existing problems, and did not import complete sets of equipment. We could bring in technology to make things ourselves, and not spend everyone else's money procuring equipment. If we had to import complete sets of equipment, then because of the close cooperation between industry and trade, we could choose appropriate equipment, find relatively low prices, procure useful products of good quality, and conserve foreign exchange. The quality of work and economic results improved; the import of technology and equipment was advanced; the development of production was promoted; and thus an even greater supply of products to expand exports was provided. Exports promoted imports; imports brought more exports, foreign trade was enlivened even more, and the volume of trade increased rapidly. The volume of import-export trade for some corporations in 1984 was more than double what it has been in 1983.

Fifth, the foreign trade corporations jointly managed by industrial and trade enterprises also strongly promoted the training of cadres. In the corporation, personnel from both industry and trade in the head offices and in the branches, researched market conditions, determined sources of supply, and formulated management plans together. They also jointly negotiated with foreign businesspersons. Foreign trade personnel passed on their knowledge of foreign trade to industry personnel, and industry personnel passed on their knowledge of production techniques to the foreign trade personnel. The two sides learned from one another, turned old into new together, and improved together. Through this business activity of the past few years, foreign trade personnel have learned a great deal about commodity production and technology, and a new team of foreign trade cadres who understand industry and who understand trade is now beginning to appear in these enterprises. The formation and development of this group of cadre teams has concrete significance for improving the quality of foreign trade cadres and for creating a new situation in our work on foreign trade.

Because of the many superiorities of the foreign trade corporations jointly managed by industrial and trade enterprises, although in the past few years we have encountered a number of difficulties and obstacles, they have still progressed steadily, and have played an important role in the development of production, construction and foreign trade of relevant enterprises.

### III

The foreign trade corporations jointly managed by industrial and trade enterprises are currently still in the stage of continued development and improvement. They must uphold the principles of self-reliance and mutual benefit, seek truth from facts, and resolve existing problems in a timely manner. Only then will they benefit the corporation's further development and improvement. In order to advance the healthy development of the corporation, they should first increase their knowledge of themselves, and overcome obstacles in their own thinking along the road ahead. There are some cadres who believe that industry and trade are two departments, and are two kinds of business, and each should act on its own and take responsibility for itself. Foreign trade departments should not involve themselves directly in production, and production enterprises should not involve themselves directly in the management of foreign trade. These cadres have not realized that China is a large agricultural nation. Our industrial base is weak and our technological level is low; the quality of some products is inferior, and packaging is backward; product manufacturing is simplistic, and there are still many difficulties in transportation. Only if industry and trade are integrated, particularly industrial production and trade enterprises, will the benefits of industry and trade really be integrated, and will we be able to mobilize the enthusiasm of both sides, give full play to the superiorities of both sides, speed up the development of production and foreign trade, and rapidly change our backward situation. If we do not proceed along the path of combining industry and trade, and technology and trade, some products will lose their ability to compete on the international market, and in the end will falter on the world market. That would have a negative impact on the development of foreign trade and production, and we would lose an important means of importing technology and speedily upgrading enterprises.

Some cadres understand the integration of industry and trade to be that "industrial departments not only handle production but also foreign trade." Thus they cast aside the idea of foreign trade corporations, and manage foreign trade themselves in their own factories. Because these few cadres are not familiar with the practice of foreign trade, do not understand the specialized language of foreign trade, lack actual experience in foreign economic relations and trade, and do not have sufficient understanding of international market conditions, currency fluctuations and financial situations, their blindness is relatively great, their economic results are low, and their strengths are turned into shortcomings. A few cadres have acquired the deep realization through practice that the integration of production enterprises and trading enterprises in the management of foreign trade is definitely possible. Thus there are cadres already working in the business of foreign trade gaining foreign trade knowledge and practical experience, and some with customers and agent relationships which can all be utilized immediately.

However, some cadres still do not understand this point. Therefore, we need to make a great effort to propagandize the necessity and superiority of having trade enterprises and industrial enterprises jointly manage foreign trade. By increasing understanding, we can promote this work.

At present, in the course of carrying out the integration of industrial and trade enterprises jointly managing foreign trade, we should pay particular attention to preventing inappropriate administrative interference in enterprises. The integration of industrial and trade enterprises to jointly handle foreign trade has already proven to be effective. But in the past few years its development has been slow. The main reason for this, aside from the problems with our level of understanding as mentioned above, is that the enterprises have encountered interference from the administrative departments, and cannot fully select their own agenda or fully integrate. Although there is urgent demand among a number of trade and industrial enterprises at the grassroots level to integrate industrial production with foreign trade, their desires cannot be fully realized because they encounter administrative interference. After the decision of the central authorities with respect to the reform of the economic system was publicized, administrative interference was alleviated somewhat, and more and more measures were taken by trade and industrial enterprises to jointly manage foreign trade. However, administrative interference still exists in some areas, and in certain areas it is quite severe. For example, recently some industrial and trade enterprises have requested permission to integrate, and have established joint corporations to manage the import-export business and the business of foreign technological cooperation of the industrial enterprise. The agreement to establish the corporation, the development of the corporation's agenda, and the establishment of its management methods had all been accomplished, but everything fell apart because of administrative interference by higher level administrative units. In order to prevent grassroots enterprises and trade enterprises from joining together, some leading industrial units hurriedly established representative offices in industrial enterprises and factories, and interfered in the management of the factories. They still want to retain the single corporation that takes care of everything from production to supply to marketing, from human to financial to material resources, and from domestic to foreign trade, and hope that through this single corporation they can control enterprises at the grassroots throughout the country. It is very clear that this method is not in line with the spirit of the central authorities' economic system reform, which centers on increasing enterprise activity. The foreign trade system's realization of separating administration from the enterprise means not only the separation of the responsibilities of the economic and trade departments, but also that the import-export companies of other departments and areas must also gradually be separated from their original departments, and never return to that subordinate relationship. Administrative departments at all levels should not interfere directly in the daily business of the foreign trade enterprises. Based on the premise of being subordinate to state planning and management, enterprises should have the right to select flexible and varied forms of management. The responsibility of administrative organizations should be to effectively advance cooperation, joint activities and competition between enterprises, and to give vitality to the improvement of enterprise management. Only if we eradicate these

fetters and eliminate sectarianism will each kind of enterprise be able to choose the best means of realizing the integration of industry and trade and technology and trade.

What is the direction of development from this day forward for foreign trade corporations jointly managed by industrial and trade enterprises? Many comrades do not have a sufficiently clear understanding of this issue. Through a few years of this kind of management, some foreign trade corporations have had definite success, and comrades from the industrial enterprises who have participated in these corporations think of leaving the corporation to manage on their own. They have not seen that the reason for the relatively good results that the corporation has been able to achieve is intimately related to the corporation giving full play to the superiorities and initiatives of both industry and trade. Leaving the foreign trade side out would mean changing back to having one superiority and one initiative, and that would mean weakening oneself. The current problems are as follows: the foreign trade corporations jointly managed by industrial and trade enterprises that have been established need to be further consolidated and improved; in all cases where conditions are right but no corporation has been set up, trial operation should be effected; and some foreign trade corporations jointly managed by industrial and trade enterprises that have been managed relatively well should invite more enterprises that so desire to come into the corporation, and set up many unified entities of enterprises, and together manage relevant import-export trade and economic and technological cooperation.

In the long run, we should guide all enterprises toward integration around the country's ports, and unify toward the outside world. This kind of cooperation, based on a foundation of mutual benefit and voluntary participation, can be close cooperation or it can be a looser form of unity, and can be coordinated with respect to the outside world. At present, we cannot relax with respect to these problems, but must guide our actions in accordance with the circumstances, and gradually resolve them. Realizing the integration on a large scale of branch enterprises of industry and trade enterprises that are centered around ports, that have the inland as support and that take the enterprise as the foundation, would enable China to enter a new stage of development with respect to foreign economic relations and trade, and could have an even greater role with respect to China's four modernizations.

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FOREIGN TRADE AND INVESTMENT

FOREIGN EXCHANGE EARNED BY CHINA'S TEXTILES REPORTED

Beijing RENMIN RIBAO (OVERSEAS EDITION) in Chinese 20 Dec 85 p 3

[Article by Feng Xiao [7458 1366]: "Textiles Earned \$17.2 Billion in Foreign Exchange in Past 5 Years; Exports Increased at an Average Progressive Rate of More than 10 Percent Each Year"]

[Text] Although international trade in textiles is not flourishing, the import-export volume of China's textiles is estimated to reach \$5.4 billion in 1985, including exports of more than \$4.1 billion, slightly higher than last year's. The figures were announced by Zhu Youlan [2612 0645 5695], general manager of China National Textiles Import and Export Corporation [CHINATEX], to the officials of foreign embassies in China and to representatives of foreign agencies stationed in Beijing, at a meeting held 18 December.

Zhu Youlan pointed out that during the Sixth 5-year Plan, trade relations between CHINATEX and various countries have developed greatly, and that trade has broadly promoted economic cooperation. During those 5 years, CHINATEX exported \$7.25 billion worth of textiles. In 1985, compared with 1980, the volume of textile exports increased 64 percent, an average progressive increase of more than 10 percent each year, and the export quota set in the Sixth 5-year Plan was over-fulfilled 1 year ahead of schedule. During these 5 years, the volume of textile imports totaled \$7.6 billion.

He pointed out that textile exports are an important source of foreign exchange, and next year, continued efforts must be made to develop the textile trade, to stimulate and improve business operations, to promote industry-foreign trade and technology-foreign trade integration, to improve products, to increase designs and varieties, and to improve the textile products comprehensively in order to meet the demands on the international textile market and to expand our exports for earning more foreign exchange.

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FOREIGN TRADE AND INVESTMENT

BRIEFS

GU XIULIAN AT FOREIGN TRADE SEMINAR--A foreign trade seminar sponsored by Jiangsu Province ceremoniously opened this morning at the Jiangsu International Exhibition Hall in Nanjing. Attending the opening ceremony were Gu Xiulian, governor of Jiangsu Province; Zhang Xuwu, vice governor of the province; (Cui Xun), former vice minister of foreign trade; Zhang Yaohua, mayor of Nanjing City; Messrs (William Terry) and (Daniel Sher), representatives of Australia's Victoria State Government; Mr (Horridge), commercial attache of the British Consulate General in Shanghai; responsible persons of state, provincial, and Nanjing City departments concerned; and nearly 500 businessmen from various parts of the world. [Excerpt] [Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 1 Mar 86 OW] /12913

CSO: 4006/808

## SPECIAL ECONOMIC ZONES

### SHENZHEN'S FOREIGN-ORIENTED INDUSTRY DISCUSSED

Guangzhou NANFANG JINGJI [SOUTH CHINA'S ECONOMY] in Chinese No 5, Oct 86  
pp 20-21

[Article by Fan Di [5400 2769]: "They Key to Shenzhen's Economic Shift Is to Choose and Set Up a Pillar for Its Foreign-Oriented Industry"]

#### [Text] "Pillar" of the Past

In the past several years, what Shenzhen SEZ relied on for its rapid economic development was the special policies formulated by the central authorities and the people's efforts. The essence of the so-called special policies can be reflected in two aspects: first, allotting part of the domestic market; and second, the policy of preferential taxation. In comparison, the domestic market was stronger as a pillar for Shenzhen SEZ's economic development, because two-thirds of the SEZ's products were sold in the mainland.

The SEZ's reliance on the domestic market for its economic development was only natural for the following reasons: 1) The SEZ was based on a small-town economy in a border area and without an industrial foundation, and at the very onset, its products could not find their way to the international market. 2) The central authorities did not provide the SEZ with funds; instead, they gave it the benefits of their policies. 3) The SEZ is only part of the national economic system.

#### Possibility of Continued Reliance on Domestic Market

Since the purpose of a SEZ is to bring in technology and management experiences, it is certainly necessary for the SEZ to be involved in the international market. If the SEZ only imports foreign materials and equipment and sells the processed products on the domestic market instead of joining the competition on the international market, it will finally have to survive on the benefits from the price disparity between the international and the domestic market. Thus the SEZ will become domestic-oriented instead of foreign-oriented, and use "foreign goods" to pound at the domestic market. Therefore, the SEZ cannot entirely rely on the domestic market; its foothold must shift from the domestic to the foreign markets.

Somebody said that if we want to import advanced foreign technology, we must offer our domestic market in exchange. However, as to what kind of technology can and what kind of technology can not be imported in exchange for our market, the idea is but a hazy one. When a high proportion of its products are sold on the domestic market, very little truly advanced foreign technology can be gained at home, and whatever gain we make cannot be significant. Generally, technology and market are not separated. Other things being equal products from advanced technology are superior to products from backward technology. Therefore, in developing foreign markets, there is no contradiction either between technology and market or between importing technology and making an economic shift.

#### The Key to an Economic Shift

The shift from a domestic-oriented to a foreign-oriented economy means that the SEZ's products should be sold mainly on foreign markets. This is by no means an easy task, because we must first set up a foreign-oriented production structure. There are always some vacant stalls in the international market, and a foreign-oriented production structure does not necessarily call for high technology and big capital. The key lies in the production structure. To form a rational production structure, we should first seek and set up a support for this structure. In other words, we need an industrial pillar.

The present production system in Shenzhen SEZ is not yet comprehensive enough. Its main trade is electronics, and even in electronics, the main functions are assembling and processing. Obviously, it cannot be the pillar of a foreign-oriented economy for the following reasons: 1) The foundation of the electronics trade in Shenzhen SEZ is very weak. Many electronics enterprises have not yet become a really independent entity, because they mostly rely on imported components to be assembled for sale on the domestic market. 2) The quality and production cost of China's electronic products are far different from those of their foreign counterparts, and it would be difficult for them to enter the international market. (3) In recent years, many countries have invested heavily in electronics, and the international market for this product has been basically "partitioned" with nothing left. Under this circumstance, it would be unwise to take electronics as the SEZ's main industry.

A large economic country should have a complete production system and some markets of its own; for a small country, or a region, however, especially under an open-door policy, it must abide by the principle of international division of work and establish a production structure that corresponds to its own specific conditions. There should be no need for it to strive for what is "small and complete."

#### Looking for One's Own Strong Points

Singapore relied on its geographical advantages for its economic takeoff and its fortune rose with the development of ship repairs, shipbuilding and entrepot trade. South Korea's economy was armed with foreign technology which enabled it to export typical processed products in exchange for foreign

currency, as determined by the international division of work at that time. Hong Kong took advantage of its status as a free port to develop its entrepot trade and its financial business.

What are the strong points of Shenzhen SEZ?

1. The future of Nanhai oilfield has profound effects on the transformation of Shenzhen's production structure. If the future of the oilfield is bright, then the SEZ can form a foreign-oriented production structure centering on petrochemical industry. Under the present conditions, however, it is still unwise to stake everything on a single venture.
2. Hong Kong as a close neighbor is undoubtedly the SEZ's tremendous asset, and Hong Kong's entrepot trade, money market and information communications system should be of good reference value.
3. The central authorities' special policies for SEZs are also one of the advantages for the SEZ's continued development.

We believe that 2, and 3 are the most significant advantages. The advantages of cheap labor and selling part of its products on the domestic market cannot last very long. The advantages offered by its neighbor Hong Kong and certain special policies for the SEZ, however, can enable Shenzhen to set up the pillar of its own foreign-oriented industry.

#### Development of Entrepot Trade for a Start

Why is it necessary to start with the development of entrepot trade?

1. By developing its entrepot trade, it will be easier to maintain a balance of foreign exchange receipts and payments than by developing industry.
2. For the development of entrepot trade, we can take some lessons from Hong Kong, and at the same time, share some of its advantages. While Shenzhen SEZ for the time being cannot force its way into the international market, it would be better to share some of Hong Kong's advantages in entrepot trade than to let Hong Kong monopolize them.
3. Trade and industry cannot be viewed separately because production and marketing are closely linked together in a modern economy. Development of entrepot trade needs backing from industry and commerce and can help in their rapid and purposeful development, resulting in a new production group.
4. Simple reexports can be developed into exports of processed imports, then into both domestic exports and reexports, and finally into exports from an export production base having a complete industrial system.
5. Entrepot trade forms a link between the hinterland and the foreign markets. There are both long- and short-range benefits to be gained. It does not require heavy investment. As long as there are certain special policies, Shenzhen SEZ will have the authority to undertake entrepot trade.

Therefore, if Shenzhen SEZ is to have a foreign-oriented economy in a few years, it may be possible for entrepot trade to serve as its industrial pillar in the short- or medium-term.

#### Long-Term Production Structure and Its Pillar

Entrepot trade serves only as a springboard for the Shenzhen SEZ to accomplish its economic shift, since the SEZ's basic aim is to develop the other trades and thus form a rational production structure.

1. To develop the entrepot trade, it must first invest more in the development of communications, information and consultation facilities, thus spurring on the development of telecommunications and finally the establishment of an information department with communications as its main concern.
2. The expansion of entrepot trade requires the services of many enterprises engaging in storage, bonded warehouses, sea transport and air transport. Thus the development of transportation departments and improvement of the technology of storage will lead to the emergence of many new service trades.
3. The development of entrepot trade needs financial services for support, and financial development will result in a flexible money market for the SEZ.
4. To develop the exports of processed imports, there should be a number of enterprises to undertake packaging and fine processing, thus leading to the development of packing and fine processing trades in the SEZ.
5. The development of information has created a market for electronic products, and the development of fine processing will lead to the development of precision machinery. These developments will result in a foreign-oriented industry.

There are good prospects for the communications, consultation transportation, finance, storage, packaging, and fine processing trades, and most of these trades belong to the information industry. With such a light and comprehensive production structure, it will not be difficult for Shenzhen SEZ to accomplish the development of its foreign-oriented economy. There is a great future for the information trade to serve as the pillar of SEZ's industry.

The shift from entrepot trade to information trade is a natural and logical process. It saves money and helps us avoid the wrong paths in the readjustment of the production structure.

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SPECIAL ECONOMIC ZONES

BRIEFS

SHENZHEN TECHNOLOGY EXPORT FAIR--Shenzhen, March 2 (XINHUA)--China will sponsor a large technology export fair between April 10 and 20 in Shenzhen, one of China's four special economic zones. About 120 items of technology up to the world's advanced level will be among 1,200 projects--all made in China--on display. They include samples of a mini-reactor, "Long March" No 2 and No 3 carrier rockets and an earth-synchronous satellite launched recently. "This shows that China is no longer a purely technology import country but a technology export country," said Jin Zhude, secretary general of the fair council. The ministries of astronautics, aviation, electronics, nuclear industries and ordnance, and the China Corporation of Shipbuilding Industry will participate in the 11-day fair. Foreign firms and scientific bodies are welcome to exchange items of technology at the fair, which has invited trade organizations from 70 countries and regions. [Text] [Beijing XINHUA in English 1322 GMT 2 Mar 86 OW] /6662

CSO: 4020/248

LABOR AND WAGES

WOMEN ARCHITECTS ASSOCIATION FOUNDED IN BEIJING

OW100531 Beijing XINHUA in English 0903 GMT 8 Mar 86

[Text] Beijing, 8 March (XINHUA)--The Women Architects' Association of Beijing, the first of its kind in China, was set up at a meeting here today.

The association will organize technical exchanges with women in other parts of China and abroad, conduct research and inspect newly-designed buildings.

It has an initial membership of 91, and Huang Jing, a residential housing designer from the Beijing Municipal Architectural Design Institute, has been elected president.

One third of the 400 architects at the Beijing Municipal Architectural Design Institute are women, and nearly 40 percent of teachers at the Department of Architecture of Qinghua University in Beijing are female.

Designing work on some of the capital's major buildings was presided over by women. They include the Beijing Hotel, the China International Trust and Investment Corporation (CITIC) building and a new building at the Peking Union Medical College Hospital.

The Women Architects' Association will sponsor an exhibition of 80 architectural planning and design drawings by its members at the 7 February Theater here from next Monday to Wednesday.

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CSO: 4020/253

LABOR AND WAGES

PAPER REPORTS ON REFORM OF RETIREES PENSION PLAN

HK150602 Beijing CHINA DAILY in English 15 Mar 86 p 1

[By staff reporter Zhu Ling]

[Text] China is preparing to reform its pension scheme to tackle the problems of the enormous number of retired people in the country.

The move is part of the nation's drive to further push forward its urban economic reforms, aimed at enlivening business enterprises.

An official of the Ministry of Labour and Personnel told CHINA DAILY yesterday that the state is discussing setting up a central pension scheme for people retired from state-run units.

Under the scheme, a central pension reserve would be set up with money contributed by all state-owned units. Regardless of how many pensioners a unit has, each will be required to contribute a sum of money equal to a certain percentage of the staff payroll to the state.

The contribution will come from part of the taxes and profits each unit will turn over to the state, said Tian Chunrun, a deputy division chief of the ministry's Bureau of Labour Insurance and Welfare.

"Considering that such a change might need economic readjustments, it is not easy to nationalize the pensions system right away," said Tian.

The government has suggested that a central reserve should first be set up in local cities and counties, and then extended to the provinces and the country as a whole.

This social insurance approach has already been widely tried in local cities and counties in such provinces as Guangdong, Fujian, Sichuan, Jiangsu and Liaoning, but the government has yet to decide on a fixed percentage for all state-run units, Tian said.

Starting 1985, all state units in Dongwan County, Guangdong Province, began contributing a sum of money equal to 25 percent of the staff payroll; Zigong City, Sichuan Province, set the percentage at 12.5; and Mexian City, Guangdong, contributed 20.65 percent.

The expected centralized scheme is a revival of what the country was doing before the "Cultural Revolution" (1966-1976) started. At that time, each state-run unit turned over a sum of money equal to 3 percent of the staff payroll to the All-China Federation of Trade Unions.

Since 1969, each unit has started paying its pensioners directly, resulting in an enormously heavy load for those with a large number of pensioners.

For example, the Transport and Loading Company in Chengdu, Sichuan Province, has a staff of 4,000 and the same number of pensioners. The company's profits have been overtaken by pension payments and it has been running a deficit since 1978. A newly-established tube factory in Shaanxi Province has a staff of 6,000 but only has 15 pensioners.

Such a wide difference is an obstacle to the current urban economic reforms, hindering the accurate reflection of enterprises' economic performance and the normal competition between enterprises under the same conditions.

This problem has become increasingly urgent as the ranks of retired people have swelled rapidly in recent years, Tian said.

Since 1978, the number of people retiring from state-run units has grown by an annual average of 1.4 to 1.5 million. The total figure was expected to reach some 12 million by the end of 1985, 12 percent of the total state employees.

The state regulation stipulates that male employees can retire at 60 and females at 55. For female blue-collar workers, the retirement age is set at 50.

In 1984, the state paid out 8.5 billion yuan in pensions to the 10.26 million retired state employees, compared to 1.63 billion yuan to 2.84 million people. By 1990, the number of retired people is expected to hit 25 million.

In the face of such massive growth, the state must strengthen its pension management, Tian stressed.

"Pensions for the retired are fully guaranteed in our country. A reform of the system will also ensure pensions are carefully distributed," he said.

When the new scheme is established, the money contributed by the units will be passed on to local city governments so that they can administer the pensions for retired people living in the area.

As more than 10 percent of retired people now live far away from the units they worked for, a joint effort between local governments and pensioners' units is needed to take care of the retired population.

Local governments at all levels should eventually take responsibility for pensions' welfare so that business enterprises can concentrate on their work, Tian said.

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CSO: 4020/253

HONG KONG

HONG KONG BANK CONFIRMS PRC CAPITAL INJECTION PLANS

HK100539 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in English 10 Mar 86 p 1

[Text] A statement issued by Ka Wah Bank at the weekend confirmed that China International Trust and Investment Corp (CITIC) plans to inject \$350 million into the bank.

It also said CITIC will guarantee the collectability of existing loans of Ka Wah and Ka Wah International Merchant Finance Ltd within a period of not more than 3 years, subject to the provisions of a counter-guarantee by the Hong Kong Government.

A preliminary announcement about the deal was made by CITIC last week.

There were some indications yesterday that certain points remained to be ironed out and that final specifics could differ in some way from the announcement, but authoritative sources could not confirm that.

The announcement said Ka Wah's board had decided that additional provisions for bad and doubtful debts should be made, and in consequence--"to reflect that the share capital is no longer represented by available assets"--that the par value of the 364 million shares should be reduced from \$1 to 5 cents and the shares then consolidated into 18.2 million shares of \$1 each.

Those will rank pari passu with the ordinary shares to be issued to CITIC.

For its \$350 million, CITIC would get \$200 million in ordinary shares and \$150 million in 10 percent cumulative convertible redeemable preference shares of \$1.

The latter will only carry voting rights on matters affecting them, and will not be redeemable for at least 3 years.

After the subscription, CITIC will hold about 92 percent of the issued ordinary shares before conversion of the preference shares.

For all phases of the plan to go through, approval by shareholders, the Supreme Court, the commissioner for securities and the Stock Exchange of Hong Kong will be needed, which is likely to be given.

The directors of Ka Wah said in the announcement they will vote the 42 percent of the issued shares they control in favour of the proposals.

Following the injection of its capital, CITIC will assume overall responsibility for Ka Wah's management and operations.

Although the board will be reorganised, the position of the bank's employees will be preserved, according to the announcement.

A separate division will be established within the bank to work on the recovery of doubtful loans.

The announcement said the board is confident "in view of the involvement of CITIC, an organisation which enjoys a high international reputation, and the strong support of the Hong Kong government," that "the financial and business base" of the bank will be "substantially strengthened."

The announcement indicated Ka Wah and CITIC had yet to sign agreements to formalise the proposals but would do so "as soon as practicable," after which documents will go to shareholders.

The intention is for Ka Wah to remain listed.

Application will be made for a waiver of the requirement for CITIC to make an offer to acquire existing shares of Ka Wah under the Take [word indistinct] Mergers Code.

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CSO: 4020/254

HONG KONG

SINGAPORE BANK TO TAKE OVER FINANCE COMPANY

HK110359 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in english 11 Mar 86 p 1

["Special correspondent" report]

[Text] The Development Bank of Singapore [DBS] is set to take over the republic's leading finance company, Great Pacific Finance [GPF] Ltd, from Hong Kong's troubled Ka Wah Bank and Singapore's Low family.

DBS could get the entire company, which has paid-up capital of \$40 million (about HK\$147 million), for \$24 million.

In an announcement at the weekend, DBS said shareholders with a total of 24 million shares, or 60 percent, had agreed to sell their GPF holdings at 60 cents a share.

The Singapore giant is now waiting for holders of the remaining 40 percent to come forward with similar offers. A sale and purchase agreement would only be concluded when the offer for sale from all GPF shareholders was received, DBS said.

Although it did not name the shareholders willing to sell, these are understood to be members of the Low family and Ka Wah Bank. The Low family owns 40 percent of Ka Wah.

Ka Wah, now subject to a takeover by China International Trust and Investment Corp, is believed to have extended huge loans to Singapore interests caught up in the problems of Pan-Electric and magnate Tan Koon Swan.

The DBS takeover is believed to have been sought by monetary authorities, reportedly unhappy about the GPF relationship with Ka Wah Bank and the Lows.

Ka Wah Bank owns 30 percent of GPF and the Low family--represented on the GPF board by Messrs Low Chung Song and Low Chun Seng--has 27.5 percent. Most of the rest is held by relatives of the late rubber magnate Tan Lark Sye.

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HONG KONG

## BANK OF CHINA'S HONG KONG CD ISSUE SELLS OUT RAPIDLY

HK140701 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 14 Mar 86 p 2]

[By Cecilia Ko]

[Text] The syndication of a U.S.\$100 million fixed-rate 5-year certificates of deposit [CD] issue by Bank of China's [BOC] Hong Kong branch has been completed, with 23 banks committed to join as co-managers.

Banking sources said yesterday the syndication was closed a few hours after Citicorp International and China Development Finance (Hong Kong) launched the issue on Wednesday afternoon.

Sources said the two lead managers intended to invite only 20 banks but the response was better than expected.

Although there is criticism in the market that the BOC issue is another "friendship deal," some bankers familiar with the deal argued that comparable Euro-dollar bond issues launched yesterday in London were yielding 35-40 basis points over U.S. Treasury bills, which is 30-35 basis points lower than the yield on the BC paper.

In fact, banking sources said if BOC had issued bonds in London with similar maturity, the coupon could be lower than the 8 percent fixed for the issue.

The rate differential is just to compensate for the difference of perception in the liquidity of a bond and a CD issue, the bankers said.

Banking sources said the co-management group includes BA Asia, Bank of East Asia, Banque Bruxelles Lambert, BOT International CCIC Finance, Chase Manhattan Asia, Chemical Asia, Credit Suisse, First Boston Asia, Dai-ichi Kangyo Finance, East Asia Warburg, First National Bank of Chicago, IBJ Asia, Indoseuz Asia, LTCB Asia, Manufacturers Hanover Asia, Normura International, Orion Royal Pacific, Paribas Asia, Samuel Montagu, Sanwa International Finance, Societe Generale Finance and Standard Chartered Asia.

It is believed the issue will be swapped into floating rate commitments so that BOC will obtain funds at a rate below the London Interbank offered rates.

Meanwhile, the downward pressure on local interest rates following the decline in U.S. rates prompted three banks and a deposit-taking company to launch fixed-rate CD issues in the past 2 days.

West LB (Hong Kong branch), credit Agricole (Hong Kong branch), Belgian Bank and Canadian Eastern Finance Ltd are raising \$150 million, \$100 million, \$150 million and \$100 million, respectively.

Arranged by Morgan Guaranty and Standard Chartered Asia, the West LB and Credit Agricole CDs will both mature in 3 years and 35 days, with the former carrying a coupon of 8.2 percent and the latter of 8.15 percent.

Interest on both issue will be payable quarterly.

The payment date for both issues is 21 April.

Their identical maturity suggests the two issues may be linked to the same swap arrangement.

Lead-managed by Morgan Guaranty and Standard Chartered Asia, the West LB issue will be co-managed by nine banks.

Credit Agricole issue will also be co-managed by nine banks.

The \$100 million Belgian Bank issue is in two equal tranches.

The first will mature in 4 and 1/2 years and carry a 9 percent coupon with interest payable quarterly.

Front-end fee is 25 basis points and the payment date is 23 April.

The second tranche will mature in 2 years and carry a coupon of 7.75 percent, with interest payable quarterly.

Front-end fee is 20 basis points and the payment date is 4 April.

Manufacturers Hanover Asia and Generale Belgian Finance as the lead managers for the issue.

Joining them as co-managers are Amsterdam-Rotterdam Bank N.V., China Development Finance (Hong Kong), Hang Seng Bank, IBJ Asia, Indosuez Asia, Jardine Fleming, Morgan Guaranty, Orion Royal Pacific, Societe Generale Finance (Hong Kong) and Standard Chartered Asia.

The CD issue by Canadian Eastern Finance, a joint venture deposit-taking company of Canadian Imperial Bank of Commerce and Cheung Kong (Holdings) Ltd, carries a coupon of 8.25 percent, with interest payable quarterly.

Lead manager Indosuez Asia has invited 11 banks to underwrite the issue.

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HONG KONG

BANKS' COMPETITION OVER LOANS TO PRC CAUSES CONCERN

HK140715 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in English 14 Mar 86 p 5

[By Paul Sham]

[Text] Fierce competition among Hong Kong banks to lend money to China-owned enterprises is becoming a cause of concern for the Hong Kong Association of Banks, which has no control over rates charged on loans.

According to a local bank executive, the quest for major borrowers such as Chinese corporations has become so keen that the normal interest rate charged on short-term loans has been reduced from a margin of 0.25 percent to 0.125 percent above Hibor, the Hong Kong interbank offered rate.

In addition, he said, many banks have skipped the customary requirement of obtaining guarantees from clients in an effort to beat competitors.

Another banker described the scramble for business with major borrowers as disturbing.

Competition is particularly intense to provide trade financing facilities.

Banking sources said China-owned enterprises have traditionally been inclined to use the services provided by the Bank of China group but are not adopting a more liberal attitude towards other banks.

They said the opening fee for credit facilities, previously set at 1/8 percent on the portion of the amount above U.S.\$50,000, is now down to 1/200 percent, with some banks charging no fee at all.

The opening fee has undergone a dramatic reduction over the past year, falling from 1/16 percent through 1/32, 1/64, 1/128, 1/200 and, finally, no charge at all when some bankers decided the amount was so minute as to be meaningless.

The acting chairman of the Hong Kong Association of Banks, Mr Keith Whitson, told BUSINESS NEWS the situation has reached the point where some action should be taken. He declined to say whether the association would put the issue on its agenda but said it was quite likely some committee member would raise the matter since the competitive state of the market was a major talking point among bankers.

Mr Whitson suggested one solution to restrain the price war could be to raise the ceiling on deposit rates. As the banks' funding costs increased, their willingness to offer loans at fine margins would be dampened.

Under the interest rate agreement, the association only has the authority to set the maximum interest rate banks can pay on deposits, but has no say on lending rates.

The chairman of Hang Seng Bank, Mr Q.W. Lee, confirmed that the fierce competition has been a major source of concern in the banking community recently, but doubted whether any change would result even if the association put the issue on its agenda.

"Free competition is a fact of life in the banking business, and the association has no say in setting the lending rate," he said.

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HONG KONG

CITIC MAY NEED TO REDUCE CONTROL OF KA WAH SHARES

HK110401 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in English 11 Mar 86 p 1

[By Cecilia Ko]

[Text] China International Trust and Investment Corp [CITIC], which is poised to inject \$350 million into the ailing Ka Wah Bank, may eventually have to reduce its stake if it wants the bank to retain its stock market listing.

The bank said at the weekend it intends to keep the listing after the capital restructuring exercise.

But a Kam Ngan Stock Exchange spokesman told BUSINESS NEWS the exchange's listing rules state that a company can be listed only if 25 percent of its shares are publicly held.

Under the takeover proposal, CITIC will hold 95 percent of the issued ordinary share capital of Ka Wah after subscribing to the ordinary shares and converting the preference shares.

This means only 5 percent will be held by minority shareholders.

The Kam Ngan spokesman said he believes CITIC will have to reduce its stake in the bank in order to comply with listing requirements.

Since the takeover of Ka Wah Bank is an exceptional case, the spokesman said the exchange will allow CITIC sufficient time to dilute its stake.

He said the exchange has not yet discussed the matter with Ka Wah or CITIC officials.

The Deputy Commissioner for Securities Derek Murphy said as a general proposition, a company must ensure a sufficient spread of its shares in public hands in order to get or maintain a listing on the stock exchanges.

He declined to say if CITIC will have to reduce its stake in Ka Wah if the bank is to retain its listing.

He said the Securities Commission has to look at the general porposition in light of the circumstances of each case.

CITIC proposes to subscribe to 200 million ordinary shares of \$1 each and 150 million 10 percent cumulative convertible redeemable preference shares of \$1 each after the bank undergoes a capital reduction scheme.

Bankers said the counter-guarantee provided by the Hong Kong Government on the collectability of Ka Wah's existing loans and the preference share arrangement make the deal commercially viable for CITIC.

The Secretary for Monetary Affairs David Nendick told BUSINESS NEWS although the government agreed to give a counter-guarantee on the collectability of Ka Wah's loans through the Exchange Fund, there is no pre-determined policy on whether such a guarantee will be given in every case where a local bank is in difficulty.

Mr Nendick did not say on what grounds the government had agreed to guarantee Ka Wah's loans.

But he said the government has the responsibility of protecting the overall integrity of the banking system as well as the interests of small depositors.

It is on these grounds that the Exchange Fund can be used.

Under the proposal, CITIC also has the flexibility of either converting the preference shares into ordinary shares or redeeming the preference shares to get back part of its investment after 3 years.

As the dividend payable on preference shares is ranked before the ordinary shares, CITIC will be guaranteed a return on the 150 million Ka Wah preference shares if the bank is able to distribute a dividend.

Sources close to the bank said CITIC and Ka Wah are expected to sign the agreement at the end of next week, following which a document will be sent to shareholders, an extraordinary general meeting arranged and court approval sought for the capital reduction scheme.

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HONG KONG

HONG KONG AGREES TO ACCEPT RENEWAL OF MULTIFIBER ARRANGEMENT

HK100537 Hong Kong HONG KONG STANDARD (BUSINESS STANDARD supplement) in English 10 Mar 86 p 1

[Text] Hong Kong, as well as other developing countries, has agreed to accept the renewal of the multi-fibre arrangement, the director of trade, Haimish MacLeod, told BUSINESS STANDARD yesterday.

Mr MacLeod returned from Beijing yesterday after meeting with representatives from 22 developing countries involved in the export of textiles and clothing.

The aim of the 5-day meeting, from 4 to 8 March, was to seek a united front among the developing countries for the next round of negotiations on the MFA.

The current arrangement came into force in 1982. It [is] due to expire on 31 July.

The secretary for trade and industry, Eric Ho, said earlier that Hong Kong favoured the renewal of the MFA.

He disclosed this to the press last week after meeting with European trade commissioner, Willy de Clercq, in Brussels.

However, after Mr Ho revealed Hong Kong's position, textile and clothing exporters were still worried that other developing countries might not share the same stance.

Because of its larger existing export base, Hong Kong enjoys bigger quotas under the MFA than most developing countries.

Many developing countries previously challenged the relevance of the MFA and called for a return to free global trade in the basic spirit of the General Agreement on Tariffs and Trade (GATT).

But Mr MacLeod said yesterday these countries understand that an instant abolition of the arrangement will cause uncertainties.

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HONG KONG

HONG KONG EXPORT VOLUME UP 6 PERCENT IN 1985

HK090638 Hong Kong HONG KONG STANDARD in English 9 Mar 86 p 15

[Text] Statistics released yesterday by the Census and Statistics Department indicated that the volume of redown exports grew by 25 percent in 1985 compared to 1984, while the volume of domestic exports decreased by 5 percent, making an overall increase of 6 percent in volume of total exports in 1985. Imports also increased by 6 percent by volume. Over the same period, the prices of domestic exports remained unchanged while those of redown exports rose by 1 percent, so for total exports, prices increased by 0.5 percent.

Prices of imports, however, fell by 3 percent. As a result, the terms of trade index, expressed as a ratio of the total export price index to the import price index, rose by 3 percent.

Prices are based on unit values which do not take into account changes in the composition or quality of goods trade, except for some selected commodities for which specification price indexes are compiled. The volume of trade is derived from trade values by discounting the effect of price changes.

Comparing December 1985 with December 1984, both the volume of total exports and imports increased by 7 percent. Within total exports, the volume of domestic and redown exports also each increased by 7 percent. Over the same period, prices of domestic exports and redown exports dropped by 3 percent and 2 percent respectively, so for total exports, prices decreased by 3 percent. Prices of imports decreased by 1 percent. As a result, the terms of trade index dropped by 1 percent.

The changes in the value, domestic export prices for about half of the commodity groups listed therein dropped in 1985 as compared with 1984. This included metal ores and scrap, down 16 percent; watches and clocks, down 8 percent; textile fabrics, down 5 percent; radios of all kinds, down 5 percent; and footwear, down 5 percent. Increases in domestic export prices were registered for textile madedown ups and related articles, up 5 percent; travel goods, handbags and similar articles, up 5 percent; metal manufactures, up 3 percent as well as clothing, up 2 percent. The domestic export volume of many commodity groups dropped in 1985 when compared with 1984, the more substantial ones being radios of all kinds, down 25 percent; electronic components, down 25 percent; travel goods, handbags and similar articles, down 25 percent; textile yarn and thread, down 18 percent; as well as textile made-ups and related articles, down 11 percent. Nevertheless, increased in domestic export volume were recorded for watches and clocks, up 14 percent and footwear, up 3 percent.

Import prices of some enddown use categories decreased in 1985 as compared with 1984, ranging from 4 percent for raw materials and semidown manufactures to 7 percent for foodstuffs. The import prices of capital goods and consumer goods remained unchanged over this period. Imports of many major foodstuffs increased in volume terms in 1985 compared with 1984. Significant growth was recorded for live poultry; tea and coffee, soya bean oil; peanut oil and lard; fish and fish preparations; cereals and cereal preparations, other than rice, wheat and flour; fruit as well as meat and meat preparations. However, decreases in import volume were registered for sugar and live pigs.

Over the same period, the import volume of many consumer goods increased, the more substantial ones being domestic appliances; tobacco manufacturing; cameras, flashlights and photography supplies; passenger cars; radios, television sets, record players, records, tape recorders and amplifiers. However, decreased in import volume were noted for alcoholic beverages and miscellaneous textile materials. The import volume of most raw materials and semidown manufactures rose in 1985 compared with 1984, including wool and other animal hair; base metals, excluding iron and steel; silk fabrics; watch and clock movements, cases and parts as well as special textile fabrics for industrial purpose. Imports of fuels fell by 6 percent in volume in 1985 as compared with 1984.

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HONG KONG

HONG KONG DOUBTS EEC WILL FREEZE TEXTILE QUOTAS

HK080514 Hong Kong HONG KONG STANDARD (BUSINESS STANDARD supplement) in English 8 Mar 86 p 1

[By Cynthia Yuen]

[Text] The European Economic Community (EEC) is unlikely to freeze Hong Kong's textile quotas at current export levels, a Trade Department official said yesterday.

Reports have been circulating that the EEC Commission has come up with a resolution to freeze the textile quotas allocated to the four socalled "dominant suppliers"--Hong Kong, South Korea, Macao, and Taiwan--at current export levels.

But Joseph Wong, assistant director in the Trade Department, told BUSINESS STANDARD that they are not aware of such an intention.

"Since the EEC is now taking a more liberal stance towards opening up trade, such a restriction is very unlikely.

"However, Hong Kong and the other three dominant suppliers will continue to be discriminated against and will have to put up with more unfavourable terms than the other developing countries," he said.

Mr Wong said EEC's position will become much clearer after the Council of Trade Ministers meets on 10 and 11 March.

They will then determine their stance on the Multi-Fibre Arrangement [MFA] as well as bilateral agreements.

The current MFA will expire on 31 July while the EEC's bilateral agreement with Hong Kong is due to expire at the end of this year.

Presently, the Trade Department has learned that the EEC will be adopting the principles of openness and flexibility. But details are still not known.

Some sources pointed out that the EEC Commission will propose to give more leeway to exporters to transfer under-utilised quotas from one EEC country to another.

Mr Wong declined to verify the report but added that such a move would be welcomed by Hong Kong.

Under the current agreement Hong Kong can apply for a transfer of quotas, but ultimate approval has to be given by the concerned EEC countries.

Mr Wong said that if quota transfers can become automatic, Hong Kong exporters should be better able to utilise their quotas.

Hong Kong's present agreement with the EEC took effect in 1983. Quotas for five major export items T-shirts, pullovers, pants, women's blouses and men's shirts--were cut 6.3 percent from 1982 levels.

An annual export growth rate of 0.5 percent is allowed under this agreement.

Due to the sluggish export performance in 1985, the overall rate of quota utilisation was only 67 percent. But exports of the five major items were better, quota utilisation was high as 95 percent.

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HONG KONG

### HONG KONG PAPER EXAMINES EXPORT QUOTA ISSUE

HK140725 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in English 14 Mar 86 p 6

[Editorial: "Bid to Cut Quota of Problems"]

[Text] The textile quota situation has been fraught with problems ever since textile and garment exports began to be restrained. That was back in the 1960s.

The problems have become increasingly complicated as the size of the industry grew and the volume of trade expanded to be among the biggest in the world.

As Hong Kong emerged as the largest exporter of garments, in value terms, so the problems have burgeoned. They have, by now, become perennial.

The main problem remains the transfer of quotas.

It stems from the need for quotas by some (usually small and new) manufacturers and the surfeit of others (usually big quota holders).

That situation has bred a brisk business in quotas.

Despite the roaring trade by "quota farmers," (those who habitually run up profits for the sale of quotas rather than from manufacturing garments), the transfer system is tolerated by the government as it gives the trade flexibility.

Through the sale of quotas, Hong Kong makes sure it utilises to the utmost the limit allocated to it by major importing countries.

The Hong Kong Exporters' Association must be commended for appropriately setting up a quota exchange centre, bringing together the manufacturer in need and the holder who wants to sell.

In effect, the centre is cutting the broker out of the transaction, reducing the cost to the small manufacturer.

One setback of the traditional transfer system has been the ease with which the holder could dictate the quota price. Thus, when the demand for a certain quota was high, manufacturers had to pay as much or more than the value of the product for it.

Cutting out the broker helps diminish the cost--perhaps not substantially but still, it is a breakthrough.

The association offers the service to its members, of course. But it is open to non-members as well for an annual fee of \$400. No commission is charged.

It is to be hoped more manufacturers take up the association's offer of service.

It is the first time a trade organisation has provided the industry with a service which could simplify the search for quotas and at the same time save money.

The more manufacturers to join the exchange, the more comprehensive the service will become.

There will be even greater need for such a service in the future as the textile trade becomes more complicated by new export restraints.

The possibility of additional restrictions is particularly strong from the United States.

The textile trade picture coming from the American market is bright in [word indistinct] respect--exports of garments and fabrics is robust. Hong Kong's exports grew 11 percent over 1984, the biggest percentage rise among regional suppliers.

Underpinning the territory's overall growth was the sizeable rise in garments fashioned out of fibres not restrained under the bilateral agreement with the United States.

The scenario is dimmed, however, by the likelihood that Hong Kong's export performance will come up for discussion when the negotiating team from Washington meets Hong Kong's representatives on Monday.

The Americans are expected to point to export "surges" and call for voluntary restraints. Hong Kong is likely to be asked to freeze its exports at last year's levels.

Any new category added to quota controls would hurt Hong Kong's industry substantially.

Under the existing textile agreement--which does not expire until the end of next year--exports of cotton, wool and man-made fibre garments and fabrics are restricted. Almost all exports of the three materials are under restraint. What few categories are left have sometimes been subject to "calls" in the course of the textile year.

In the past 2 years the United States "called"--that is, asked for restraints--on at least 10 categories during each year claiming exports had increased to a level threatening the domestic market.

In most cases the "calls" resulted in additional barriers after negotiations. but in some cases, Hong Kong was able to prove the calls were unjustified.

A couple of cases became issues of disagreement which were elevated by Hong Kong to the Textiles Surveillance Body of the Multi-Fibre Arrangement. Hong Kong's stand was upheld.

The negotiators from the Department of Trade are expected to refuse any requests for additional barriers on Monday.

Any new restrictions have to be justified by proven need in the U.S. market. For the industry of Hong Kong--which places no restraints on the entry of American goods and Services--will severely suffer from any new controls.

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END